

HONDURAS

SECONDARY EDUCATION AND JOB TRAINING PROGRAM

(HO-0202)

LOAN PROPOSAL

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ANNEXES

Annex I Logical framework

BASIC SOCIOECONOMIC DATA

For basic socioeconomic data, including public debt information, please refer to the following address:

<http://ops.iadb.org/idbloans/>

<http://www.iadb.org/RES/index.cfm?fuseaction=externallinks.countrydata>

INFORMATION AVAILABLE IN THE TECHNICAL FILES

Preparation:

Poverty reduction strategy (PRS)
Operating Manual for subprogram 1 (MOS1)
Labor market and employment and training system assessment
Operating Manual for subprogram 2 (MOS2)
Procurement plan

Execution:

Poverty reduction strategy (PRS)
Operating Manual for subprogram 1 (MOS1)
Master education infrastructure procurement plan
Operating Manual for subprogram 2 (MOS2)
Terms of reference for the public-private employment brokerage service
Terms of reference for restructuring the Ministry of Labor and Social Security
Terms of reference for the pilot occupational safety and health project
Design and implementation of the information system for subprogram 2
Strategic education plan
National competitiveness plan

ABBREVIATIONS

CADERH	Centro Asesor para el Desarrollo de los Recursos Humanos [Advisory Services Center for Human Resource Development]
CEB	Centros de Educación Básica [Basic education centers]
CES	Consejo Económico y Social [Economic and Social Council]
CESI	Committee on Environment and Social Impact (IDB)
COHEP	Consejo Hondureño de la Empresa Privada [Honduran Council for Private Enterprise]
DFID	Department for International Development
EPHPM	Encuesta Permanente de Hogares de Propósitos Múltiples [Multipurpose Regular Household Survey]
EU	Executing unit
FHIS	Fondo Hondureño de Inversión Social [Honduran Social Investment Fund]
FSO	Fund for Special Operations
GDP	Gross domestic product
ICB	International competitive bidding
IHER	Instituto Hondureño de Educación por Radio [Honduran Radio Education Institute]
INE	Instituto Nacional de Estadística [National Bureau of Statistics]
INFOP	Instituto Nacional de Formación Profesional [National Vocational Training Institute]
INICE	Instituto Nacional de Investigación y Capacitación Educativa [National Education Research and Training Institute]
MOS1	Operating Manual for subprogram 1
MOS2	Operating Manual for subprogram 2
NGO	Nongovernmental organization
OAS	Organization of American States
PCU	Program coordination unit
PRS	Poverty reduction strategy
SAT	Sistema de Aprendizaje Tutorial [Tutorial-Based Learning System]
SEFIN	Ministry of Finance
SEMED	Sistema de Educación Media a Distancia [Secondary Distance Education System]
SIARHD	Sistema de Administración de Recursos Humanos Docentes [Teacher Human Resources Management System]
SPPIL	Public-private employment brokerage service
STSS	Ministry of Labor and Social Security
UMCE	Unidad de la Medición de la Calidad Educativa [Educational Quality Measurement Unit]
UPNFM	Universidad Pedagógica Nacional Francisco Morazán [Francisco Morazán National Education University]
USAID	United States Agency for International Development

HONDURAS

IDB LOANS

APPROVED AS OF MARCH 31, 2004

	US\$Thousand	Percent
TOTAL APPROVED	2,525,573	
DISBURSED	2,060,259	81.57 %
UNDISBURSED BALANCE	465,314	18.42 %
CANCELATIONS	165,377	6.54 %
PRINCIPAL COLLECTED	734,030	29.06 %
APPROVED BY FUND		
ORDINARY CAPITAL	566,431	22.42 %
FUND FOR SPECIAL OPERATIONS	1,887,845	74.74 %
OTHER FUNDS	71,298	2.82 %
OUTSTANDING DEBT BALANCE	1,326,229	
ORDINARY CAPITAL	164,521	12.40 %
FUND FOR SPECIAL OPERATIONS	1,161,491	87.57 %
OTHER FUNDS	217	0.01 %
APPROVED BY SECTOR		
AGRICULTURE AND FISHERY	304,359	12.05 %
INDUSTRY, TOURISM, SCIENCE AND TECHNOLOGY	81,353	3.22 %
ENERGY	429,144	16.99 %
TRANSPORTATION AND COMMUNICATIONS	418,718	16.57 %
EDUCATION	74,391	2.94 %
HEALTH AND SANITATION	261,910	10.37 %
ENVIRONMENT	100,108	3.96 %
URBAN DEVELOPMENT	156,740	6.20 %
SOCIAL INVESTMENT AND MICROENTERPRISE	404,569	16.01 %
REFORM AND PUBLIC SECTOR MODERNIZATION	260,619	10.31 %
EXPORT FINANCING	6,908	0.27 %
PREINVESTMENT AND OTHER	26,755	1.05 %

* Net of cancellations with monetary adjustments and export financing loan collections.



HONDURAS

STATUS OF LOANS IN EXECUTION

AS OF MARCH 31, 2004

(Amount in US\$ thousands)

APPROVAL PERIOD	NUMBER OF PROYECTS	AMOUNT APPROVED*	AMOUNT DISBURSED	% DISBURSED
<u>REGULAR PROGRAM</u>				
Before 1998	4	58,960	47,515	80.59 %
1998 - 1999	6	183,616	98,404	53.59 %
2000 - 2001	15	235,109	76,779	32.66 %
2002 - 2003	12	150,904	3,744	2.48 %
2004	2	55,000	0	0.00 %
<u>PRIVATE SECTOR</u>				
2002 - 2003	1	13,700	0	0.00 %
TOTAL	40	\$697,289	\$226,442	32.47 %

* Net of cancellations. Excludes export financing loans.



Inter-American Development Bank
Regional Operations Support Office
Operational Information Unit

Honduras

Tentative Lending Program

2004

Project Number	Project Name	IDB US\$ Millions	Status
HO0212	Poverty Reduction Sector Program	30.0	APPROVED
HO0219	Financial Sector Program	25.0	APPROVED
HO0208	Strengthening of Fiscal Management	15.0	
HO0202	Middle Education and Labor Program	30.6	
HO0207	Improvement of the PPP Atlantic Corridor (Sections of the CA-5 Norte Highway)	50.0	
HO1001	Municipal Development Program Tegucigalpa II	22.5	
HO0197	Poverty Reduction Program focusing on Indigenous peoples and Afro descendants	10.0	
* HO0201	Privatization Four International Airport	22.0	
HO1002	Health Sector Strengthening	25.0	
HO0195	Sustainable Tourism National Program	35.0	
Total - A : 10 Projects		265.1	
HO0222	Social Protection Program	30.0	
HO0224	PPP Energy Sector Support	40.0	
HO0174	Sanitation and Water Investment Complem.	14.0	
HO1005	Rural Reactivation	30.0	
Total - B : 4 Projects		114.0	
TOTAL 2004 : 14 Projects		379.1	

2005

Project Number	Project Name	IDB US\$ Millions	Status
HO0223	Fiscal Reform	25.0	
CA1001	Support for Infrastructure	50.0	
HO0192	Credit Global Program	30.0	
RG0059	Etnoturísticos Mesoamericanos Fund Projects	30.0	
Total - A : 4 Projects		135.0	
TOTAL - 2005 : 4 Projects		135.0	
Total Private Sector 2004 - 2005		22.0	
Total Regular Program 2004 - 2005		492.1	

* Private Sector Project

SECONDARY EDUCATION AND JOB TRAINING PROGRAM

(HO-0202)

EXECUTIVE SUMMARY

Borrower:	Republic of Honduras	
Executing agencies:	The Ministry of Education (SE) for subprogram 1 and the Ministry of Labor and Social Security (STSS), with support from the Ministry of Finance (SEFIN), for subprogram 2.	
Amount and source:	IDB (FSO):	US\$ 30.6 million
	Local:	US\$ 3.4 million
	Total:	US\$ 34.0 million
Financial terms and conditions:	Amortization period:	40 years
	Grace period:	10 years
	Disbursement period:	4 years
	Interest rate:	1% during the grace period and 2% thereafter
	Inspection and supervision:	1%
	Credit fee:	0.5%
	Currency:	U.S. dollars
Objectives:	<p>The main objective of the loan is to further the goals set by the Republic of Honduras under its poverty reduction strategy (PRS) by expanding education coverage in the third and fourth cycles of secondary education and improving the employability of youths and adults.</p> <p>The program's specific objectives are to: (i) expand education coverage at the secondary level (third and fourth cycles); (ii) improve the quality and relevance of educational services at this level; (iii) improve the internal efficiency of secondary education by making more effective use of the installed capacity and improving educational flows at this level; (iv) promote Honduran society's commitment to education; and (v) help match supply and demand on the job market.</p>	
Description:	<p>In furtherance of its objectives, the program has been broken down into the following two subprograms:</p> <p>SUBPROGRAM 1. Improved coverage and quality of the third and fourth cycles of education (US\$25 million). Envisaged activities under each component of this subprogram are designed to expand education coverage in the third and fourth cycles of secondary</p>	

education by providing services to youths through high-quality flexible education programs and making more effective use of the installed capacity in the conventional system.

Component 1. Improving the coverage and quality of the third cycle of education. The following strategies will be financed:

- (i) **Use of flexible modes of delivery and distance education programs for the third cycle of education.** The initial strategy in areas with shortages of conventional education services will be to meet public demand for the third cycle of education through the Tutorial-based Learning System (SAT), EDUCATODOS, and Telebásica programs and the Secondary Distance Education System (SEMED). These programs are expected to reach some 37,850 youths between the ages of 12 and 14 during the four-year program implementation period.
- (ii) **Upgrading of schools to expand education coverage.** This component will finance the upgrading of schools to increase the number of available places in official education centers in areas with a large unmet demand.
- (iii) **Improving school performance.** This component will fund agreements between the Education Ministry and NGOs and respected educational institutions for the provision of educational assistance services to schools with high dropout and repeater rates for a minimum of two school years.

Component 2. Improved coverage and quality of the fourth cycle of education. The following strategies are envisaged:

- (i) **Use of flexible modes of delivery for the fourth cycle of education.** Education coverage in areas with shortages of conventional education services will be expanded through the use of flexible programs, including SAT and SEMED programs.
- (ii) **New classroom construction for delivery of the fourth cycle of education in basic education centers (CEBs).** Financing will be provided for the expansion of a minimum of 50 CEBs through the construction of new classrooms in areas with a large unmet demand, to enable youths completing ninth grade level to continue their secondary education.
- (iii) **Improved quality and relevance of vocational programs for the fourth cycle of education.** Financing will be

provided for technical assistance and monitoring services by institutions of higher education to 50 schools in poverty-stricken areas offering vocational secondary education programs in the fields of agroindustry, forestry and tourism.

- (iv) **Tuition grants for students in private schools.** The program will provide grants to 400 students who, having completed the third cycle of education and not found slots in any official school, could not otherwise afford to continue their secondary education.

Component 3. Strengthening of enrollment management. Efforts will be supported to strengthen the management capacity of the Education Ministry and departmental and district education offices with a view to expanding and improving education coverage through the following activities:

- (i) **Establishment of an enrollment management system** consolidating local information (at the departmental and district levels) on supply and real demand for slots and allocating them according to system capacity and priorities.
- (ii) **Support for improving human resource allocation,** financing activities designed to help the Education Ministry better allocate teaching staff in line with system-wide needs.

Component 4. Awareness-raising. This component will finance public awareness-raising activities designed to heighten demand for and appreciation of secondary education and enlist public support for needed reforms in furtherance of PRS goals.

SUBPROGRAM 2. Employment promotion (US\$6.4 million) to improve the job skills of the unemployed and underemployed and develop active labor market policies promoting partnerships with the private sector through the components described below.

Component 1. Job training to help establish job training and placement mechanisms geared to the specific demands of prospective employers. This component will finance incentives for companies with staffing needs to take on and train the unemployed and underemployed.

Component 2. Establishment of a public-private employment brokerage service (SPPIL) helping to match job seekers with employment opportunities and improve information on the domestic job market.

Component 3. Modernization of labor administration to help transform the STSS from an agency geared to labor conciliation into a job creating agency and update labor administration in the area of regulations.

The Bank's country strategy and sector experience:

The Bank's country strategy with Honduras is consistent with the PRS and designed to support the government by promoting sustainable growth driven by gains in competitiveness and in the productivity of the poor. The strategic areas of activity for Bank lending are: (i) strengthening the competitiveness of productive sectors; (ii) promoting human capital development; and (iii) improving governance. The proposed program is targeted specifically at the first two strategic areas. The Bank is already playing a leading role in the funding of social programs and activities, particularly in education, health and local development. In the area of education, it has buttressed efforts by the Ministry of Education to strengthen its management and planning capacity and helped fund the construction of CEBs in rural areas to expand access to the third cycle of education (grades 7 to 9) under two Bank loans (1000/SF-HO and 1069/SF-HO). It has also been supporting efforts to improve teaching practices and curriculum and syllabus reform efforts designed to strengthen the quality and relevance of education throughout the country (see paragraph 1.26).

Coordination with other official development agencies:

In close cooperation with the Bank's Country Office in Honduras (COF/CHO), views have been exchanged with representatives of international cooperation agencies in an effort to synchronize efforts and expand on existing activities. The proposed program provides for cooperation with the United States Agency for International Development (USAID) in expanding EDUCATODOS program coverage and with the Tutorial-Based Learning System (SAT) and for complementarities with European Union activities targeted at the fourth cycle of education, with funding for a number of vocational secondary schools. Other discussions have been held with the World Bank, which is focusing on the primary education level, rounding out proposed program activities at the secondary education level and job training activities for youths in alternative education programs (see paragraph 1.30).

Environmental and social review:

The proposed program is considered environmentally feasible in that: (i) it is not expected to engender any adverse environmental impacts, since most envisaged activities are focused on education, youth training, institutional strengthening and the conduct of studies; and (ii) it includes measures and activities specifically designed to engender positive environmental impacts (see paragraphs 4.14 through 4.16).

Benefits: **Subprogram 1. Improved coverage and quality of the third and fourth cycles of education.** The combined effect of the expansion in educational opportunities for secondary education, improvements in the quality of this level of education and the more efficient use of available resources will not only help further the goals of the PRS, but will offer more Honduran youths a chance to prepare themselves for a better future through access to higher levels of education or better jobs (see paragraph 4.3).

Subprogram 2. Employment promotion. The funding of training programs for the unemployed and underemployed has a positive impact on society as a whole by improving their prospects for employment in productive activities while, at the same time, preparing jobless workers and companies to be more competitive. Likewise, it has been shown that in-service training activities help strengthen the competitiveness of participating companies and the performance of their work force which, over the medium term, tends to improve working conditions in companies served by such programs (see paragraph 4.4).

Risks: **Subprogram 1. Improved coverage and quality of the third and fourth cycles of education.** There is a risk that political problems with respect to the teaching profession may postpone crucial decisions for improving education coverage without increasing the teacher wage bill. This risk will be mitigated by providing funding for teacher relocation incentives, furnishing legal services to the Education Ministry and building public support by conveying messages on the importance of ensuring that educational resources are allocated based on education system needs. Another risk is that there will be little demand on the part of youths for secondary education. This risk will be mitigated by expanding education supply under flexible education programs that lower the opportunity cost of attending school and offer more relevant programs of study geared to the local environment. There are also provisions for awarding grants to low-income students to enable them to complete their upper secondary education. The public awareness strategy provides for activities designed to promote an appreciation for education and underscore its importance. Lastly, the successful attainment of the objectives of this subprogram is directly dependent on the executing capacity of the unit in charge of its execution and management. Accordingly, the executing unit selected will have extensive experience with previous Bank projects and the Education Ministry's technical and administrative teams assigned to address the operational needs of the program will be strengthened (see paragraphs 4.10 through 4.12).

Subprogram 2. Employment promotion. In addition to the lack of resources, government labor market institutions have been focusing

on the supply of employment and training opportunities for the poor, with very little interaction with productive sectors seeking personnel and training more in line with their specific needs. As a result, they are out of touch with productive sectors and their needs for trained personnel. Proposed activities transcend the sphere of action of these official institutions. Accordingly, the involvement of the Centro Asesor para el Desarrollo de los Recursos Humanos [Advisory Services Center for Human Resource Development] (CADERH) and the Consejo Hondureño de la Empresa Privada [Honduran Council for Private Enterprise] (COHEP) will ensure a private sector presence by proposing and offering alternatives geared to actual demand in the productive sector (see paragraph 4.13).

Special contractual clauses:

The first disbursement of funding for each subprogram is subject to fulfillment of the following conditions and Bank approval:

Subprogram 1. Improved coverage and quality of the third and fourth cycles of education

- (i) Appointment of the executing unit's technical staff (paragraph 3.2).
- (ii) Applicability of the operating manual (paragraph 3.5).

Special condition precedent to the first disbursement of Component 1, Improved coverage and quality of the third cycle:

- (i) Signature of the contract with the Fundación Bayán (paragraph 3.7).

Special condition precedent to the first disbursement of the loan proceeds earmarked for the EDUCATODOS program of Component 1, Improved coverage and quality of the third cycle:

- (i) Selection of the EDUCATODOS program manager (paragraph 3.7).

Special condition precedent to the first disbursement of the loan proceeds earmarked to fund the infrastructure activities for the third and fourth cycles:

- (i) Signature of the agreement with the Fondo Hondureño de Inversión Social [Honduran Social Investment Fund] (FHIS) (paragraph 3.8).

Special condition precedent to the first disbursement of the loan proceeds earmarked to fund activities to improve school performance in the fourth cycle:

- (i) Signature of an interagency cooperation agreement with the Educational Quality Measurement Unit of the Francisco Morazán National Education University (UPNFM) (paragraph 3.9).

Subprogram 2. Employment promotion

- (i) Signature of the agreement between SEFIN and the STSS (paragraph 3.3).
- (ii) Appointment of the technical staff of the program coordination unit (PCU) (paragraph 3.3).
- (iii) Applicability of the operating manual (paragraph 3.5).
- (iv) Signature of the contract with CADERH and of a standard agreement and letter of participation with each company involved in Component 1 (paragraph 3.19).
- (v) Signature of the agreement with COHEP for Component 2 (paragraph 3.24).

Special contractual conditions for program implementation

- (i) Submission of annual work plans (paragraph 3.42).
- (ii) Commitment to shoulder recurrent expenses for the SAT and EDUCATODOS programs (paragraph 3.7).
- (iii) Midterm review (paragraph 3.44).

Poverty-targeting and social sector classification:

This operation qualifies as a social equity enhancing program as described in the indicative targets mandated by the Bank's Eighth Replenishment (document AB-1704). Furthermore, the operation qualifies as a poverty-targeted investment (PTI) based on calculations of the share of program beneficiaries classified as poor expected to benefit from the activities under subprograms 1 and 2.

Exceptions to Bank policy:

See the section on procurement.

Procurement:

As an exception to the competitive bidding requirement for the selection of consultants, the Fundación Bayán would be hired to assist the Education Ministry with the implementation of components 1 and 2 of subprogram 1 (Improved coverage and quality of the third and fourth cycles of education). Likewise, CADERH would be hired to assist the STSS with the implementation of subprogram 2 (Employment promotion).

Hiring the Fundación Bayán is justified by the fact that, so far, it is the only organization anywhere in the country working with SAT programs and has been conducting rural development projects competently for the past 10 years. It is recognized by the government and backed by international cooperation agencies.

CADERH is a private, nonprofit institution with legal status and its own assets, formed by a group of business owners, labor leaders and professionals interested in developing, improving and strengthening the coverage and quality of formal and nonformal vocational and technical education to meet the needs of private employers.

Accordingly, the use of direct contracting is justified by the comparative institutional and technical advantages offered by the Fundación Bayán and CADERH and is in keeping with the provisions of section GS-403 of the Bank's procurement manual (paragraphs 3.34 through 3.39).

The procurement of goods, services and works will be made in accordance with Bank policies and procedures.

International competitive bidding (ICB) will be used when the estimated value of goods and related services is equal to US\$350,000 or more, and that of works is equal to US\$1 million or more. ICB or an international open call for proposals will be required for consulting services costing an estimated US\$200,000 or more.

I. FRAME OF REFERENCE

A. Socioeconomic context

- 1.1 With an annual per capita GDP of US\$960 (2001),¹ Honduras is the region's third poorest country after Haiti and Nicaragua. According to Multipurpose Regular Household Survey (EPHPM) data, 71% of the country's population is living below the poverty line, with 74% of this group living in extreme poverty. This situation has been a constant for the past decade and is especially severe in rural areas.
- 1.2 Honduras has a young population. Of the country's 6.7 million inhabitants, 52% are under 20 years of age and 46% are under the age of 15. The age distribution of its population has important implications in terms of the effort required to improve the coverage of basic social services. For example, the country's official school-age population (6 to 17 years of age) accounts for nearly 30% of the total population. In contrast, this age group accounts for 25% of the total population of Mexico, 24.4% of the population of Costa Rica and a mere 19.2% of the population of Uruguay. The age structure of the population also has an impact on the likelihood of a family lifting itself out of poverty since the latter is related to the extent of the economic dependence of its members.
- 1.3 Honduras has a working-age population of nearly 4 million. Most jobs are in agriculture (38%), trade (21%) and industry (15%). While open unemployment is only 4%, underemployment is the most serious labor market problem. Almost two out of every three employed workers have a hard time earning enough to break the poverty cycle. In fact, 26.6% of the employed population working more than 36 hours a week earns less than minimum wage (the equivalent of US\$3.85/day). In rural areas the earnings of 37% of the employed population fall below this level.
- 1.4 Educational attainment is a determining factor in the quality of employment and in a person's income-earning ability. Workers earning less than minimum wage have an average of 4.2 years of schooling, those earning between one and two minimum wages have an average of 6.6 years of schooling, those earning between two and five minimum wages have 9.3 years of schooling, and those earning the equivalent of more than five minimum wages have 12.7 years of schooling.² The impact of educational attainment on income is also reflected in rates of return on education, which are estimated at 8% for primary education and 14% for a complete secondary education (World Bank, 2004, based on data for 1998). The high rate of return for secondary education is a reflection of the shortage of secondary school graduates and the unmet demand for the types of skills developed at this level.

¹ ECLAC, 2002. Statistical Yearbook. United Nations.

² Flores Lima, R. and Bañuelos Solís, F. "Estudio Diagnóstico del Mercado Laboral y del Sistema de Empleo y Capacitación de Honduras" [Assessment of the Honduran Labor Market and Training and Employment System]. Mimeograph, August 2003.

- 1.5 At the macroeconomic level, recent World Bank studies³ point to the average level of educational attainment of the Honduran population as the main determining factor in the country's economic growth, followed by factors such as infrastructure expansion and the development of its financial sector. Honduras is well aware of this, setting goals under its poverty reduction strategy (PRS) calling for sizeable improvements in indicators of education coverage. Thus, in line with its commitments under the PRS, its goals for the year 2015 are to boost the net enrollment rate in the third cycle of education from 30% to as high as 70% and for 50% of the population between 17 and 18 years of age to complete the fourth cycle of education. This endeavor will be bolstered by the proposed program.

B. Educational context

1. Characteristics

- 1.6 The Honduran education system serves 1.6 million students in 17,367 public and private schools, including 876 schools offering secondary education programs (third cycle of basic education and secondary education).⁴ Honduras has a total of 44,566 teachers, including 12,422 teachers for the third and fourth cycles of education. As illustrated in Table I-1, the Honduran education system is broken down into four levels: preprimary education, basic education, secondary education and higher education. The proposed program is targeted at the third (grades 7-9 of basic education) and fourth (grades 10-12 of secondary education) cycles of education. Students in the third cycle of basic education have a choice of academic ("ciclo común") and vocational ("ciclo básico técnico") education programs. Both programs are designed to provide a general education, but the vocational program includes a strong practical-skills component for a specific occupation. The fourth cycle of education or secondary level also offers academic and vocational programs. The academic program educates students in the sciences and humanities and is designed to prepare them for the higher education level. The main objective of the vocational program is to prepare students to enter the labor market. Half of all school facilities at this level are private and are concentrated mainly in urban areas.

³ World Bank, 2004. Honduras *Development Policy Review*.

⁴ Statistical Yearbook, 2000, Instituto Nacional de Estadísticas [National Bureau of Statistics] (INE).

Table 1-1
Structure of the education system

Level	Cycle	Grade	Age	Nature
Preprimary education	I	Nursery school	0 to 3	Optional
	II	Kindergarten	3 to 6	Last year compulsory
Basic education	I	1 through 3	6 to 8	Compulsory
	II	4 through 6	9 to 11	
	III	7 through 9	12 to 14	
Secondary education (cycle four)	IV Academic	10 through 11	15 to 17	Optional
	IV Vocational	10 through 12	15 to 18	
Higher education			17	Optional

2. Coverage gaps in the Honduran education system

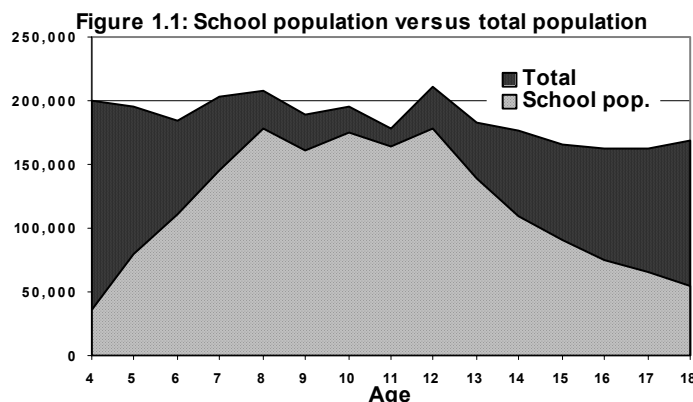
- 1.7 The Honduran education system has serious gaps in its coverage. As illustrated by the data in Table I-2, gaps in education coverage widen in the third and fourth cycles of education, reaching critical proportions in rural areas where coverage is virtually nil. There are approximately 400,000 out-of-school youths between the ages of 12 and 17 at these levels, which are specifically targeted by the proposed program.

Table I-2
Net enrollment rate by area and educational level

	Primary	Cycle 3	Cycle 4
Urban	77.5%	54.8%	33.7%
Rural	75.2%	22.7%	6.3%
Total	76.1%	36.8%	18.9%

Calculations based on the EPHPM, March 2003

- 1.8 **Demand.** As illustrated in Figure 1.1, the sharpest drop in school enrollments begins between the ages of 12 and 13, coinciding with the transition from the second to the third cycle of education. This trend is attributable to a number of factors. For one thing, there are serious shortages of secondary education facilities, which, as indicated above, are concentrated virtually exclusively in urban areas, and 50% of them are private. This is a major barrier, particularly for rural or low-income youths. Furthermore, the transition from the second to the third cycle of education coincides with a heightened need for youths to begin working, increasing the opportunity cost of continued school attendance. These factors are reflected in EPHPM data, according to which approximately 30% of out-of-school youths have economic problems preventing them from attending school.



- 1.9 Notwithstanding the enormous challenge presented by the need to boost net enrollment rates for the third and fourth cycles of education, any such increase in education coverage is predicated on the completion of the previous cycle of education (effective demand⁵). Thus, according to EPHPM data for 2003 on enrollment in the third cycle of education, of 144,000 out-of-school youths between 12 and 14 years of age, only 50% completed their primary education, making them eligible to go on to cycle three. This figure is considerably lower for the fourth cycle of education, where only 4,700 youths between the ages of 15 and 17 completed cycle three and then discontinued their studies – most of whom live in urban areas. This suggests the need to pursue efforts to improve coverage and terminal efficiency in the third cycle of education to boost demand for the fourth cycle of education.

3. Challenges in expanding education supply

a. Human resources

- 1.10 Increasing education supply in the third and fourth cycles to meet commitments undertaken under the PRS presents a major challenge in terms of the resources involved in doing so. Honduras is currently spending 7.2% of its gross domestic product (GDP) on education, which is more than any other country in the region. Any more spending on teacher salaries could have serious macroeconomic implications, making it necessary to improve the efficiency of spending on education. Since most education resources are teachers, efficient resource allocation is essential. Studies of this issue show serious weaknesses in the allocation of teaching resources, creating high concentrations of teachers in low-demand areas and shortages of teachers in high-demand areas, as reflected in interdepartmental disparities in pupil-teacher ratios. Teachers in La Paz, Colón, Lempira, Islas de la Bahía, Francisco Morazán and Santa Bárbara have an average of 18 students, while

⁵ Effective demand refers to the statistical population of youths graduating from a given level of education – primary education, cycle 3 (academic program), etc. – that does not enroll in the next level of education.

teachers in Ocotepeque, Gracias a Dios, Comayagua, Intibucá, Cortés and Yoro have an average of 27 students. However, in both cases, these averages are well below the ratio of 40 students per teacher set by legislation for secondary education. Table I-3 shows the number of school slots⁶ created by a simulated reallocation of existing teachers among groups of 32, 35 and 40 students and the percentage of effective demand for the third and fourth cycles of education which could be met by such a measure, based on data for 2003.

Table I-3
Expansion supply through the reallocation of teaching resources in the third and fourth cycles of education

Student-teacher ratio scenarios	32 students per teacher	35 students per teacher	40 students per teacher
New slots created in the third and fourth cycles	39,184	68,312	116,856
Percentage of effective demand for third and fourth cycles covered (%)	50.5%	88.1%	100.0%

Calculations based on the EPHPM (March 2003) and the Ministry of Education's Strategic Plan for the Education Sector (2004).

- 1.11 Any improvement in the allocation of sector resources presents a number of challenges. Though teachers are hired under official appointments and assigned to a specific school, in practice, transfers are personal decisions, with teachers relocating generally to urban areas, taking "their" positions with them, leaving rural schools understaffed. With all the problems involved in transferring teachers from one school, municipio and/or department to another to meet education system needs, departmental school superintendents prefer to meet demand by creating new positions. However, expanding education coverage in furtherance of PRS goals based solely on the creation of new positions is not sustainable. It is therefore essential to establish a more effective enrollment-based human resource allocation system and to develop management tools at the local level consolidating data on the supply of school slots and actual demand.
- 1.12 The government has implemented a number of measures designed to strengthen human resource management, with support from loan 1000/SF-HO, including a teacher's survey in 2002 and the establishment of a Teacher Human Resources Management System (SIARHD). Despite some progress, the Education Ministry still lacks necessary human resource allocation planning mechanisms driven by enrollment and unmet demand. One of the first steps in this direction is to tie together data on supply and actual demand for slots and ensure that they reach departmental education offices, to enable them to make better use of system installed capacity. The proposed program will assist the Education Ministry in this endeavor.

⁶ Calculations are based on the availability of 1.28 teachers per group.

b. Infrastructure

- 1.13 Progress in expanding education coverage will increase the need for school infrastructure. The Bank has provided extensive support in building and maintaining school infrastructure under projects 1000-SF/HO, 1069-SF/HO and FHIS III. However, a recent assessment of school infrastructure by the Honduran government found 69% of school buildings in need of repair and upgrading and 10% unable to offer the school infrastructure service (Master Education Infrastructure Plan, 2004). The same study found that only 10% of the country's 44,000 existing classrooms are used for secondary education programs and that, of this latter figure, only 14% are in rural areas. Thus, the country clearly needs to continue to invest in school infrastructure, targeting rural areas and secondary education in particular, which is the level of education addressed by the proposed program.

c. Quality

- 1.14 In addition to problems with coverage, the quality of education in Honduras also presents a number of problems, with serious repercussions for the internal efficiency of the education system. Inefficiencies stemming from high dropout and repeater rates are consuming valuable resources and limiting the ability of the education system to accommodate new students. At third grade level, 38.3% of students indicate having repeated at least one grade, compared with 34.6% at sixth grade level.⁷ Slow progress through primary school is creating a serious problem in that nearly 30% of the student body in the third cycle is overage. To address this problem, the Education Ministry has developed intensive educational assistance programs for schools with the poorest performance record providing education monitoring services to the school in question for a minimum of one school year to improve teaching practices, develop a School Education Plan and strengthen ties with the community. The experience gained by the Education Ministry under this program and the capacity created at the departmental and district offices offer an opportunity to continue implementing actions to improve the schools. Moreover, a number of reports refer to problems with the quality of secondary education, particularly in vocational programs. One of the main problems has to do with the obsolescence of the curriculum and its lack of relevance to labor market needs. To address this problem, the country has been developing pilot projects designed to improve educational quality in selected vocational schools with the assistance of the Zamorano School of Agriculture. These interventions have provided teacher and support training services, strengthened curricula and educational materials and offered internship and apprenticeship opportunities for students. This experience is a good foundation for proposed quality strengthening efforts for this cycle of education.

⁷ "Informe sobre Factores Asociados al Rendimiento Académico" [Report on Factors Associated with Educational Achievement], Educational Quality Measurement Unit (UMCE), Honduras 2002.

d. Opportunities for improving coverage and quality

- 1.15 **Alternative education programs.** While steps are being taken to make more efficient use of human resources and progress is being made in upgrading infrastructure, the country has an opportunity to improve education coverage by utilizing the installed capacity of the numerous alternative education programs available. There are currently six recognized alternative programs and accredited by the Education Ministry, serving close to 170,000 individuals, including primarily youths and adults who dropped out of school or were unable to enter the conventional school system at the appropriate age level. Four such programs are administered by NGOs and funded in part by foreign grants, namely PRALEBAH, a literacy and primary education program, and SAT, EDUCATODOS and “Maestro en Casa” [Teacher at Home] delivering secondary education. The Education Ministry assigns teaching personnel to all such programs with the exception of the “Maestro en Casa” program. The other two programs are government-run secondary level distance education programs using modern technology and administered and financed by the Education Ministry. One such program is the Distance Education System (SEMED). The other is “Telebásica,” Honduras’s version of the Mexican “Telesecundaria” program. Table I-4 briefly describes available alternative programs for the third and fourth cycles of education.

Table I-4
Description of alternative education programs

Program	Target population	Description	Per student cost	Source of funding and location
Honduran Radio Education Institute (IHER) “Maestro en Casa” program 25,000 students	Rural youths and adults who dropped out of the conventional system before completing their education	Basic and secondary education (grades 1 through 12). Offers an accelerated primary education program, an academic lower secondary education program (“ciclo común”) and an upper secondary program (“bachillerato”) in the sciences and humanities. Instruction is based on materials presenting the subject matter in simplified form, radio classes (broadcast daily, Monday through Friday) and weekly tutorials to help students clear up any questions and deepen their knowledge of the subject matter. Classes are held in orientation centers headed up by a coordinator, assisted by volunteer outreach workers.	N/A	Virtually all funding comes from students and sales of educational materials. Coverage area: 15 departments.
EDUCATODOS program 103,000 students	Rural youths and adults	Basic education (grades 1 through 9). The instruction method uses interactive radio programs or audiotapes, textbooks and facilitators volunteering their services.	US\$90	The Education Ministry budget provides 10% of its funding, with the remainder furnished by outside organizations. Coverage area: 11 departments.
Tutorial-based learning system (SAT) program 1,300 students	Rural youths who completed their primary education	Secondary education tailored to the rural environment (grades 7 through 12). The educational content focuses on the community’s rural issues. A tutor coordinates the learning process of a group of students meeting at mutually agreed locations and times. Students learn	US\$240	Conducted by the Education Ministry with support from the Asociación BAYAN in training tutors and resource teachers technical assistance and adaptation and publication of textbooks. The

Program	Target population	Description	Per student cost	Source of funding and location
		at their own pace, according to their ability, their experience and the amount of time they are able to devote to their studies.		salaries of coordinators and tutors are paid with national budget funds. Serves the country's northeastern departments.
Secondary distance education system (SEMED) 16,500 students	Youths and adults without access to conventional secondary education	Secondary education (grades 7 through 12 – academic lower secondary education and baccalaureate program in business administration. The instruction method combines classroom instruction on weekends with independent study based on self-teaching textbooks. The schedule gives students a great deal of flexibility. Tutorial classes are conducted on weekends by teachers hired specifically for such purpose in existing school facilities.	US\$90	Funded by the Education Ministry budget. Coverage area: 17 departments, through 55 institutes (49 public and 6 private schools).
Telebásica program	In-school youths and adults	Basic cycle (grades 7 through 9) based on the Mexican Education Ministry's Telesecundaria program. The instruction method combines classroom instruction by a schoolteacher with supporting textbooks and television programs.	US\$303	Funded by the Education Ministry. Serves 35 CEBs in semiurban and rural areas.

- 1.16 Both the EDUCATODOS and the Telebásica programs were subject to outside evaluations, which found the scholastic performance of participating students comparable if not better than that of students in the conventional school system. Though the Honduran version of the SAT program has not been evaluated, the Colombian program has been studied at length, and its outcomes have also been extremely positive. These programs are all in high demand, have a sizeable operating capacity and, most importantly, deliver education at a lower cost than the US\$250 it takes to educate a secondary school student in the official system. Thus, these programs offer a good opportunity to expand education coverage nationwide more cost effectively and without the budgetary implications of increasing the teacher wage bill.
- 1.17 In furtherance of its goals under the PRS, the government is not only interested in improving the quality of education services, but is also endeavoring to link education to labor market activities so as to offer programs of study better geared to productive sector needs, to prepare the nation's youths for broader and better access to employment opportunities.
- 1.18 Both the SAT and the EDUCATODOS programs have been operating in Honduras for nearly 10 years as valuable partners in efforts to expand education coverage. Since 1996, the SAT program has been run by the Fundación Bayán, a nongovernmental organization that has been conducting social development projects in Honduras since 1985, primarily in rural areas. It is recognized by the Honduran government and supported by international cooperation agencies such as the Department for International Development (DFID), the Ford Foundation and the Kellogg Foundation. The EDUCATODOS program, which is currently run by

the Education Ministry with active support from USAID, has its own administrative infrastructure enabling it to easily attain envisaged education coverage targets, as evidenced by the over 100,000 students already served by this program. The long track record in Honduras of both the SAT and the EDUCATODOS programs makes the gradual expansion of these modes of education delivery a feasible goal.

C. Major features of labor market institutions

- 1.19 Weaknesses in the ability of the education system to turn out well prepared human resources and unemployment and underemployment problems pose serious challenges for the country. Moreover, government efforts to reach poverty reduction goals, revitalize the economy and prevent any further growth in the budget deficit have proven inadequate. Accordingly, the government is seeking to shore up its competitiveness strategy through the implementation of measures to improve the skills of the work force and labor mobility and employability. To help further this process, the Ministry of Labor and Social Security (STSS) is implementing a job creation strategy with the assistance of the [Economic and Social Council] (CES), created specifically for purposes of providing consensus-building opportunities around wage, employment and investment, social security and vocational education and training policies, to boost competitiveness and improve the quality of life of workers. This and other instruments have helped promote social dialogue and paved the way for agreements on major reforms helping to improve the operation of the labor market.
- 1.20 Such agreements are grounded in a recognition of the need for labor market institutions and, more specifically, the STSS and the National Vocational Training Institute (INFOP) to channel public investment into the development of effective, flexible mechanisms for improving labor market linkages and efficiently meeting training needs in productive sectors. The INFOP-based vocational training model, funded by 1% payroll contributions payable by law (though, in practice, they are not collected in all cases), is out of touch with market conditions requiring job training interventions tailored to the specific needs of production processes. The Honduran system has been neglecting training needs and demands. As a result, the private sector has been funding alternative programs better geared to meeting productive sector needs and demands, since the public vocational training system was focusing exclusively on the supply. One of the more interesting alternatives developed by the employer sector is the Advisory Services Center for Human Resource Development (CADERH) established in 1983. Initially, CADERH furnished training services to private firms. It has since gained wide acceptance and a good professional reputation within the private sector and is a recognized accreditation agency for training programs and for certifying workers who reach the skills levels required by the productive sectors. CADERH is a private, nonprofit institution with legal status and its own assets, founded in 1983 by groups of business owners, labor leaders and professionals concerned with developing, improving and strengthening the capacity and quality of formal and nonformal

vocational and technical education to meet demand from private employers. CADERH has since become the country's most reputable accreditation agency for vocational schools offering job skills training, skills certification training and is the source of promotional and advisory services and training materials ensuring that worker know-how and skills are geared to productive sector needs and keep up with new technology.

- 1.21 Another important organization active in all labor market-related issues is the Honduran Council for Private Enterprise (COHEP). Established in 1968, it is Honduras's most representative business association, with 51 member organizations covering all productive sectors. COHEP is the technical-political arm of the business sector and is actively involved in the analysis of virtually all issues of national import, with seats on 52 commissions and councils. COHEP also has a seat on the Board of Directors of INFOP and has presented several proposals for reforming the vocational training system to make it more responsive to the country's needs. It recently developed an online employment exchange system in conjunction with the STSS and works closely with CADERH in furnishing skills training and certification services. As the organization best representing the private sector and with its know-how and involvement in the types of activities envisaged as part of the proposed program, COHEP will be called on to play a leading role in a number of program activities, as specified later in the report.
- 1.22 Both the public and private sectors are seeking to modernize the institutions with a view to strengthening competitiveness. As far as labor is concerned, the STSS has embarked on a restructuring process designed to expand its role in the design and implementation of labor market programs that will contribute to the dynamics of job creation, improve the linkage between supply and demand for jobs and training and strengthen occupational safety and health. The proposed program is consistent with such initiatives.

D. The country strategy in the social sectors

- 1.23 The main challenge facing Honduras is poverty reduction. To that end, it has formulated a poverty reduction strategy (PRS) backed by the national and international community under the Heavily Indebted Poor Countries (HIPC) Initiative, for which Honduras has been eligible since December of 1999.
- 1.24 The challenges raised by efforts to reduce poverty, as reflected in the PRS, have prompted Honduras to adjust its development agenda, which seeks to: (i) enhance economic stability; (ii) speed up growth driven by competitiveness gains; (iii) promote human capital development; (iv) improve the environmental sustainability of growth and reduce the country's vulnerability to natural disasters; and (v) strengthen governance and national institutions.

E. The Bank's strategy and lessons learned

- 1.25 The Bank's country strategy with Honduras is consistent with the PRS and, as such, is designed to support the government by helping to speed up sustainable growth driven by gains in competitiveness and in the productivity of the poor. In accordance with the PRS, the strategic areas for Bank activity are: (i) boosting the competitiveness of productive sectors; (ii) promoting human capital development; and (iii) strengthening governance. The proposed program is in keeping with this strategy.
- 1.26 The Bank has played a leading role in the funding of social programs and activities, particularly in education, health and local development. In the area of education, it has funded two operations for institutional strengthening of the Education Ministry and efforts to reform the third cycle of basic education. The alternative education program (loan 1000/SF-HO), which is scheduled to be concluded in September 2004, has helped the Education Ministry strengthen its planning capacity and make progress in decentralizing the education system and developing a Basic Education Center (CEB) model delivering nine years of basic education. The national education reform program (loan 1069/SF-HO) approved in 2000, which is still in progress, is extending the CEB model to more than 380 centers, giving rural youths better access to the third cycle of basic education and strengthening teaching practices and curricula. It also financed the development of a master education infrastructure plan, which provides a powerful tool for planning and setting priorities for future spending on school infrastructure. The proposed program pursues and expands on efforts already initiated under previous loans, taking even more aggressive measures to expand education coverage, drawing on existing alternative education programs within the country, and helping the Education Ministry make more effective use of existing installed capacity to boost enrollment in the third and fourth cycles of education.
- 1.27 The Bank has extensive experience with programs to support training in general, youth training activities and employment brokerage services. Programs conducted in Argentina, Chile, Colombia, El Salvador, Mexico, Panama and Peru have clearly demonstrated the merits and benefits of partnerships between government and the private sector. It has also been involved in the establishment of Internet services in Mexico, which have been extremely helpful in expediting employment brokerage services and in increasing and improving labor market information. The Bank has also promoted new training programs in these same countries for jobless workers linked directly to jobs in private enterprises. Training is provided as job opportunities are identified, with the content of training activities geared to the needs of each company which, in turn, furnishes human resources and materials to impart the training, hereby lowering instruction costs compared with those of traditional training programs. Assistance provided under such programs basically consists of transfers to participating trainees to improve the efficiency of training courses and boost job placement rates. The lessons drawn by the Bank from the

implementation of similar projects in the aforesaid countries, specifically with regard to private sector involvement in training for the unemployed and employment brokerage services, have been used as input in the proposed program. More importantly, the program provides for activities designed to strengthen the STSS, in line with resolutions approved by the Thirteenth Inter-American Conference of Ministers of Labor sponsored by the Organization of American States (OAS) and, more specifically, the decision to strengthen Labor Ministries to enable them to meet employment and labor-related challenges in general and, in particular, the labor market implications of the Free Trade Area of the Americas (FTAA).

F. Program strategy and rationale

- 1.28 The proposed program is consistent with the strategy agreed on by Honduras and the Bank for attainment of the PRS targets by the year 2015 with respect to education indicators. The strategy underlying proposed program activities is to bolster government efforts to expand education supply in the third and fourth cycles, under flexible education modalities already existing in the country, of which the quality is widely recognized. The expansion of this education will have an impact on the labor sector by creating a larger and better prepared pool of job seekers while, at the same time, providing training to gainfully employed workers wishing to improve themselves to qualify for better job opportunities. The program will also help the Education Ministry maximize the use of the installed capacity in line with expansions in education coverage. These activities are expected to translate into major improvements in net enrollment at these levels of education, playing an important role in furthering the nation's twin goals under its PRS of boosting the net enrollment rate in the third cycle of education to 70% and the secondary graduation rate for its new work force to 50%.
- 1.29 Bearing in mind that the number of youths between the ages of 12 and 17 will increase by 3.2% per year over the next five years, relatively modest but sustained boosts in the net enrollment rate could result in improvements that will significantly help to attain the PRS goals. In fact, with increases of 2 percentage points a year in the net enrollment rate at all grades of the third and fourth cycles of education beginning in 2005, the program would help raise the net enrollment rate for the third cycle of education to 50% and the percentage of 17-year-olds with a secondary school diploma by 6 percentage points by the year 2009, compared with the start of the program.

G. Coordination with other donors

- 1.30 In close cooperation with the Bank's Country Office in Honduras (COF/CHO), views have been exchanged with representatives of the international donor community in an effort to synchronize efforts and expand on existing activities. The program provides for significant cooperation with USAID in expanding

EDUCATODOS and SAT program coverage (see paragraph 1.15) and for complementarities with European Union activities targeted at the fourth cycle of education, with funding for a number of vocational secondary schools. Other discussions have been held with the World Bank, which is focusing on primary education and job training activities for youths in alternative education programs, rounding out the proposed program. The results of these exchanges of ideas are reflected in the activities outlined in the following sections of the report. The proposed program would be the Bank's first foray into the Honduran labor market could be useful in the future for coordinating efforts and expanding on other activities with the international donor community, which has been funding discrete training programs.

II. THE PROGRAM

A. Objective

- 2.1 The program's main objective is to further the goals set by the Republic of Honduras under its Poverty Reduction Strategy (PRS) by improving the coverage and quality of the third and fourth cycles of secondary education and the employability of youths and adults. A number of expected outputs are presented in Table II-1.

Table II-1
Expected outputs

Subprogram 1. Improved coverage and quality of the third and fourth cycles of education
<ul style="list-style-type: none">• The percentage of youths between 12 and 14 years of age enrolled in cycles three and four increases from 32% in 2003 to 38% by the conclusion of the subprogram.• The number of youths between 15 and 18 years of age enrolled in cycle four increases from 112,620 in 2003 to 132,770 (from 17% to 20%) by the conclusion of the subprogram.• The student-teacher ratio in cycles three and four increases from 21.85 in 2003 to 24.10, creating 28,000 new school slots by the conclusion of the subprogram.
Subprogram 2. Job promotion
<ul style="list-style-type: none">• Of the 2,000 unemployed youths and adults trained each year, 60% find jobs.• The number of job openings identified as a result of the establishment of public-private employment brokerage services increases by 25% (to 20,000).• The number of companies using the employment exchange system operated by the six employment brokerage services increases by 15%.

B. Structure and description

- 2.2 In furtherance of the aforesaid objectives, the program has been broken down into two subprograms designed to: (i) improve the coverage and quality of the third and fourth cycles of education; and (ii) implement a job promotion program with private sector participation. The two subprograms and their respective components are discussed in greater detail in the following paragraphs.

1. Subprogram 1. Improved coverage and quality of the third and fourth cycles of education (US\$25 million)

- 2.3 This subprogram includes the following four components with actions and activities designed to improve education coverage and quality in the third and fourth cycles of education.

a. Component 1. Improved coverage and quality of the third cycle of education (US\$13 million)

- 2.4 **Use of flexible modes of delivery and distance education programs for the third cycle of education** (US\$10.8 million). The initial strategy in areas with shortages of conventional education services will be to meet public demand for the third cycle of education through the SAT, EDUCATODOS and Telebásica programs and the Secondary Distance Education System (SEMED). These programs are expected to reach some 37,850 youths between the ages of 12 and 14 during the four-year program implementation period. The proposed program will be able to finance a total amount per student served based on the specific requirements of each mode of delivery, including: (i) teacher and technical staff training costs; (ii) copying costs for printed and audiovisual teaching aids; (iii) procurement costs for educational and photovoltaic materials and equipment and copying costs for audio and videotapes as required in each specific case; and (iv) other subprogram operating expenses. In the case of the SAT and EDUCATODOS programs, it would also finance the cost of fees payable to field technicians and tutors not part of the regular program staff, according to the current specifications for each program. This subprogram would also cover the cost of revising and improving the teaching methods, textbooks, instruction guides and other teaching materials used in each program for quality assurance purposes and the cost of technical assistance services to strengthen the technical unit in charge of these programs at the Education Ministry. The Education Ministry has undertaken to gradually shoulder an increasing share of the recurrent expenses associated with these alternative education delivery mechanisms until it has taken on 100% of such costs by the end of the program implementation period.
- 2.5 **Upgrading of schools to expand education coverage** (US\$1.2 million). To expand the capacity of the conventional education system, the program will finance the renovation and improvement of approximately 200 classrooms in existing schools where warranted by the existence of unmet demand on the part of students and the availability of teachers to meet such demand, creating a minimum of 4,000 new school slots within the school system. Activities in this area will be based on recommendations framed under the master infrastructure plan and synchronized with program activities under the enrollment management component (component 3) outlined below. Program financing would cover the cost of furnishings and equipment, as well as the sanitation facilities necessitated by the boost in enrollment.
- 2.6 **Improving school performance** (US\$1 million). For the conventional, school-based modality, the program will provide funding to the Ministry of Education so that, through its National Education Research and Training Institute (INICE), it can carry out interventions designed to improve the quality of at least 300 schools with high repeater and dropout rates or poor educational achievement. Such interventions will include on-site training and technical assistance services for

teachers and school administrators in areas such as school organizational development, lesson planning, the development of relevant curricula and community ties. As part of the strategy for improving school performance, the program will fund: (i) technical assistance for the strengthening of INICE to enable it to work with district education offices in furnishing education support for the schools; (ii) the training of municipal and district school superintendents and teaching assistants in school improvement methods; (iii) the training of teachers and administrators; (iv) the printing and distribution of teaching materials; (v) in-service training for teachers and teacher-administrators within the country; and (vi) provision of mobile libraries and laboratories for the district education offices for use in alternative education programs.

b. Component 2. Improved coverage and quality in the fourth cycle of education (US\$7 million)

- 2.7 Envisaged activities under this component are designed primarily to meet current demand and any additional demand engendered as a result of the implementation of proposed strategies for the third cycle of education. Activities will seek to improve education coverage and quality, not only in terms of educational achievement, but also in terms of the relevance of education and pathways to jobs and higher education. This should help students develop needed skills to improve their employability and pursue professional studies. The activities to be funded under this component are outlined in the following paragraphs.
- 2.8 **Use of flexible modes of delivery for the fourth cycle of education (US\$2 million).** Following the same strategy as in the third cycle of education (paragraph 2.4) in areas with a shortage of conventional education supply, the program will finance education services for a minimum of 2,000 new students in SAT and SEMED programs at this level. It will also finance the cost of furnishing technical assistance services and materials and technology to the Education Ministry for adaptation of the Mexican “Telebachillerato” or distance baccalaureate program for use in Honduras or of any other internationally recognized program that applies to the fourth cycle. These programs are expected to reach a minimum of 1,500 new students by the third year of the program.
- 2.9 **Construction of secondary education modules in CEBs (US\$3.7 million).** The program will finance the expansion of 68 rural CEBs through the construction of secondary education modules providing extra classrooms and related facilities offering the fourth cycle of education, to give youths completing ninth grade as a result of envisaged program interventions for the third cycle of education a chance to finish secondary school. These activities are expected to create a minimum of 8,000 additional school slots. Program financing could also cover the cost related to furnishings and equipment.

- 2.10 **Improved quality and relevance of vocational training programs for the fourth cycle of education** (US\$1 million). Working through the Education Ministry, the program will fund agreements with institutions of higher education, such as the Zamorano Pan-American School of Agriculture, to provide consulting and technical support services to at least 50 vocational secondary schools with low levels of educational achievement and high dropout and repeater rates. The consulting services will focus primarily on helping some 200 teachers and 50 administrators strengthen technical training programs, build relationships with the productive sectors and improve teaching practices. Priority will be given to programs in agroindustry, forestry and tourism, which are regarded as pivotal to the nation's competitiveness strategy. The Operating Manual for subprogram 1 (MOS1) will establish eligibility requirements for target schools and prospective service providers, as well as bidding procedures and procedures for transferring funds. The program will also finance the cost of developing scholastic achievement tests for this level, to be carried out by the Educational Quality Measurement Unit (UMCE).
- 2.11 Tuition grants for students in private schools (US\$300,000). The program will provide grants to some 400 low-income students in urban areas who, having completed the third cycle of education and not found slots in any official school, could not otherwise afford to continue their secondary education. The grant will be paid directly to the school on the student's behalf and will cover tuition costs for the full three-year program of study. It will be renewed on a yearly basis subject to the student passing each school year. The MOS1 will establish eligibility requirements for students and education centers and procedures for transferring funds.

c. Component 3. Strengthening enrollment management at the central and deconcentrated levels (US\$3.6 million)

- 2.12 **Increased enrollment management system** (US\$1.7 million). This component will finance the following activities to help the Education Ministry make better use of existing installed capacity to satisfy unmet demand for education: (i) technical assistance and the development of tools and procedures for the establishment of an increased *enrollment management system* at the Education Ministry and departmental, district and municipal education offices by setting up enrollment committees, to ascertain the number of school slots available in each community for the following school year and estimate actual demand for available student slots; (ii) development of computer software containing standard new student registration forms and a simple computer application for consolidating data on supply and demand and producing reports necessary for decision making; (iii) staffing and equipping of the departmental and district education offices necessary for system operation; (iv) hiring of a system administrator for each departmental office; and (v) training and monitoring activities.
- 2.13 **Assistance in improving human resource allocation** (US\$1.3 million). The program will finance the following activities designed to help the Education

Ministry improve the allocation of teachers in line with education demand: (i) technical assistance services for assessing the number of working teachers relative to the number of students served by the education system and identifying areas with an oversupply of teachers according to legislation for each level of education; (ii) legal assistance services to the Education Ministry in reviewing current legislation and, where necessary, recommending changes enabling the efficient assignment of teachers; (iii) legal services for the Education Ministry to defend against complaints engendered by teacher transfers warranted by education system needs; and (iv) incentives to encourage teachers to settle in some 800 communities in areas with a large unmet demand. The MOSI will establish eligibility requirements for receiving bonuses and procedures for transferring corresponding funds.

d. Component 4. Awareness campaigns (US\$900,000)

- 2.14 To generate demand for education and obtain a greater commitment from teachers and the general public to youths not being served by the education system due to a lack of education supply, this component will cover the cost of technical assistance services for designing a social marketing and public awareness-raising strategy, generating recommendations on the basis of which the following will be financed: (i) a management team to synchronize strategy implementation efforts; (ii) the hiring of a creative team to develop materials in support of the strategy; (iii) the dissemination of public service announcements through the media; and (iv) national or regional conferences and meetings on this issue.

e. Monitoring and evaluation (US\$700,000)

- 2.15 The following concurrent evaluation mechanisms will be established for the various components of this subprogram: (i) regular reviews of indicators of the expansion in student slots in both the conventional education system through the reassignment of teachers and the upgrading and construction of classrooms and alternative programs and through the awarding of grants; (ii) monitoring mechanisms for enrollment committees to establish their impact on the efficiency and timeliness of slot allocation efforts and measures to expand education coverage and the transparency of corresponding procedures; (iii) a UMCE-conducted evaluation of the scholastic performance of selected samples of students in alternative education programs and centers benefiting from school improvement programs; and (iv) an opinion poll designed to detect changes in perceptions as a result of subprogram awareness-raising activities.

2. Subprogram 2. Employment promotion (US\$6.4 million)

- 2.16 The objectives are to: (i) improve the job skills of the unemployed and underemployed; and (ii) develop active labor market policies promoting

partnerships with the private sector to replicate good practices in matching labor supply and demand.

a. Component 1. Job training (US\$4.6 million)

- 2.17 The goal is to help establish efficient job training and placement mechanisms geared to the specific demand of prospective employers.
- 2.18 Companies with staffing needs that agree to train the unemployed and underemployed for periods ranging from one to three months to meet requirements for available job openings will be eligible to receive program funding. Some 2,000 people between the ages of 17 and 29 are expected to benefit each year. Hopefully, at the end of the training period, the trainee will meet necessary performance criteria to be hired. Outreach workers assigned to CADERH will identify companies with staffing needs and develop job training plans. Participants will be given basic orientation on good manners and appearance to help develop a positive workplace attitude, while the in-service training program will help them develop and improve the quality of their skills. Working through CADERH, the program will finance the cost of hiring an instructor to conduct the on-the-job training.
- 2.19 The program will cover the administrative expenses incurred by CADERH in connection with the implementation of this component, including the cost of setting up two training management units staffed with a coordinator, four outreach workers and an accounting manager. The staff will be in charge of seeking out firms with staffing needs and developing training plans geared to their specific requirements. It will also cover travel costs and allowances for the outreach workers and the cost of their training in the use of the operating manual for subprogram 2 (MOS2).
- 2.20 The program will finance the design, development and implementation of an information system at CADERH for the registration and operational and financial monitoring of activities conducted under this component, along with the cost of computer equipment to ensure its effective management. Terms of reference have already been approved by the Bank and a cost breakdown for its implementation is available (see program files). It will also finance: (i) the establishment of a register of service providers; (ii) training for registered individuals and firms to qualify them to provide training services; and (iii) the development and publication of a course outline designed to build essential general-purpose basic workplace skills, including the promotion of a positive attitude and good work ethic, as well as necessary skills for conducting a well-organized and successful job search. The register of service providers will be available for public consultation.

b. Component 2. Establishment of a public-private employment brokerage service (SPPIL) (US\$820,000)

- 2.21 The objective of this component is to help match job seekers with employment opportunities and improve information on the domestic job market. The program will finance the cost of equipment for six SPPIL offices (three government-run and three privately-operated offices, in the form of loan for use), each of which will receive technical support and assistance, training and equipment for the design and implementation of information and communications systems for the posting and filling of job openings through an Internet-based job exchange system. It will also finance: (i) training in labor market analysis and the study of trends in employment to sharpen the skills of SPPIL personnel; (ii) consulting services for COHEP to finish customizing the job exchange system for use in generating statistical data and conducting relevant labor market studies and computer hardware to expand supporting and backup equipment for the online job exchange system. Terms of reference have already been approved by the Bank (see program files) and a cost breakdown for its implementation is available; (iii) six internships for SPPIL personnel in other countries in the region; (iv) the design and printing of vacancy notices and six workshops on job hunting and basic job skills; and (v) the organization of a minimum of two job fairs per year in conjunction with COHEP and other business associations.

c. Component 3. Modernization of labor administration (US\$883,000)

- 2.22 The program will bolster efforts to transform the STSS from an agency geared to labor conciliation into a job creating agency and update labor administration in the area of regulations by financing: (i) a study to reorganize the STSS, including an analysis of the current functions and descriptions of its various areas, for which terms of reference have already been approved by the Bank (see program files), as well as a cost breakdown; and (ii) the design of a functional reorganization plan for the STSS and human resource development activities. It will also support the STSS in developing a corporate self-management culture in the occupational safety and health area, for which terms of reference have already been approved by the Bank (see program files), as well as a cost breakdown. To this end, technical strengthening and equipment will be financed for the STSS in this area with a view to the development of new internal management systems and private mechanisms to support businesses for conducting assessments and framing occupational safety and health plans. The program will also earmark funding for an across-the-board evaluation of this subprogram, given its impact on both the coverage and quality of proposed interventions. The content and scope of this proposed evaluation is described in paragraph 3.46.
- 2.23 The self-management systems referred to in the preceding paragraph will be defined under a pilot project to be initially instituted in in-bond assembly plants or

agroindustry. Methodological tools will be developed to support enterprises in the internal management of occupational safety and health issues, including assessments, the pinpointing of major problems and their causes, and the implementation of occupational safety and health programs. The establishment of private inspection units will bolster company efforts to conduct self-assessments and design and implement occupational safety and health programs, supplementing the traditional inspections generally conducted by the Ministry of Labor with private inspection monitoring units to help ensure adequate worker safety and health conditions. The terms of reference for these activities have already been approved by the Bank (see program files).

- 2.24 A firm specializing in social marketing will be hired to monitor the implementation of job promotion activities, employment brokerage services and efforts designed to modernize the labor system and focus groups will be interviewed to furnish the STSS with regular feedback providing an objective assessment of the response of enterprises, labor organizations, active job seekers and academics to subprogram 2. This feedback will supply needed information to improve the subprogram design and/or correct any misinformation, where indicated. The program will earmark US\$46,000 to finance the design, development and implementation of an information system for recording, monitoring and generating reports on the status of physical and financial targets for this subprogram, including equipment and technical support. The sum of US\$100,000 will be earmarked for evaluations.

C. Program cost and financing plan

- 2.25 The total cost of the program is estimated at US\$34 million, of which US\$30.6 million will be financed by the Bank from the Fund for Special Operations (FSO) and the remaining US\$3.4 million will be furnished by the Honduran government as local counterpart funding, according to the breakdown presented in Table II-2 below.

Table II-2
Program cost (US\$000)

Components	IDB	LOCAL	TOTAL	%
1. Subprogram 1. Improved coverage and quality of third and fourth cycles	23,740	1,100	24,840	73.1
1.1 Improved coverage and quality of the third cycle	11,598	1,047	12,645	37.2
1.2 Improved coverage and quality of the fourth cycle	6,919	53	6,972	20.5
1.3 Enrollment management system	3,593	-	3,593	10.6
1.4 Awareness-raising	930	-	930	2.7
1.5 Evaluation	700	-	700	2.1
2. Subprogram 2. Employment promotion	5,719	711	6,430	18.9
2.1 Job training	4,559	68	4,627	13.6
2.2 Establishment of an employment brokerage service	460	360	820	2.4

Components	IDB	LOCAL	TOTAL	%
2.3 Modernization of the labor system	600	283	883	2.6
2.4 Evaluation	100	-	100	0.3
3. Implementation, monitoring and evaluation	250	1,365	1,615	4.8
3.1 Executing units - Subprogram 1	-	1,300	1,300	3.8
3.2 Coordination unit - Subprogram 2	130	45	175	0.5
3.3 Outside auditing	120	20	140	0.4
4. Financial costs	891	224	1,115	3.3
4.1 Credit fee	-	224	224	0.7
4.2 Interest	585	-	585	1.7
4.3 Inspection and supervision	306	-	306	0.9
TOTAL	30,600	3,400	34,000	100.0
	90%	10%	100%	

D. Terms and conditions for the Bank loan

2.26 The terms and conditions for the Bank loan are as follows:

Amortization period:	40 years
Grace period:	10 years
Disbursement period:	4 years
Interest rate:	1% during the grace period and 2% thereafter
Credit fee:	0.5%

III. PROGRAM EXECUTION

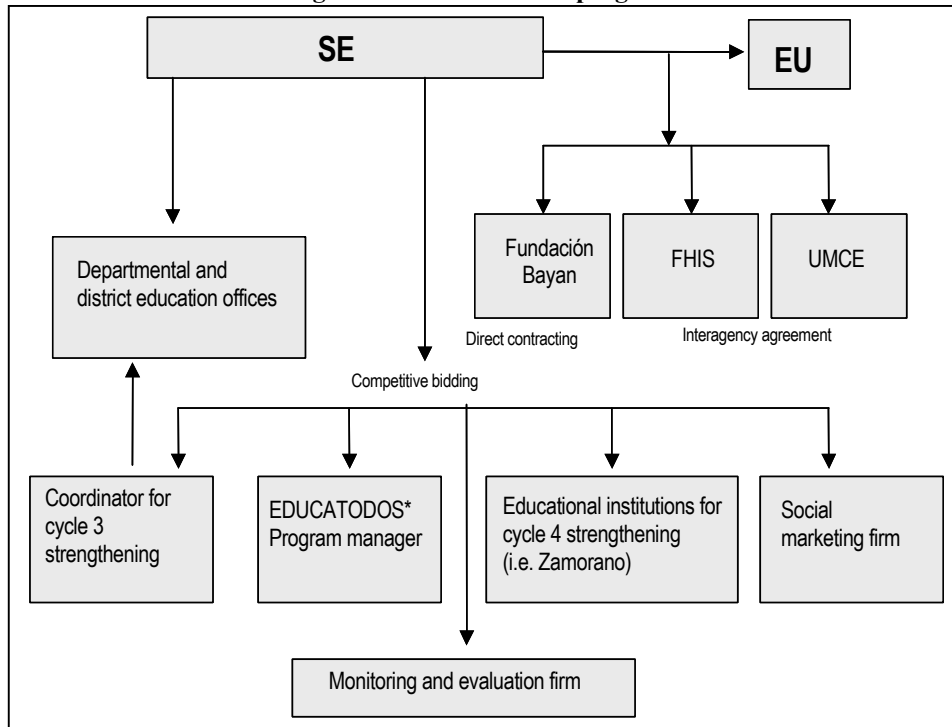
A. Borrower and executing agency

- 3.1 The borrower is the Republic of Honduras. The Ministry of Education (SE) and the Ministry of Labor and Social Security (STSS) will serve as executing agencies, in the latter case with support from the Ministry of Finance (SEFIN).

B. Program execution and management

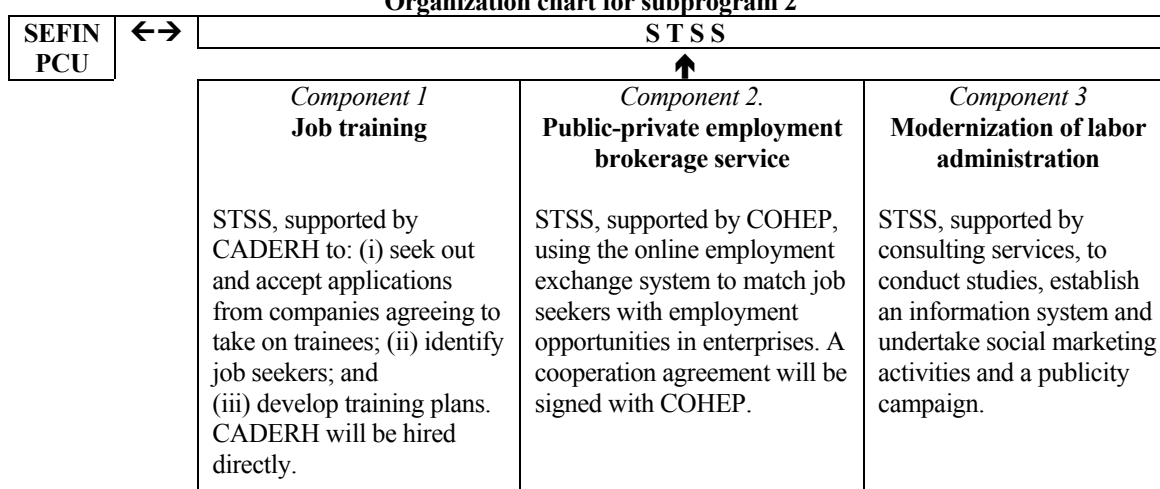
- 3.2 The nature of the proposed program calls for a practical, workable implementation mechanism to achieve the objectives of its two subprograms. Accordingly, it was decided to use the services of two separate executing agencies. The Education Ministry will be in charge of the implementation of subprogram 1 (Improved coverage and quality of the third and fourth cycles of education). In order to capitalize on its store of experience in executing programs funded by international organizations, the same executing unit in charge of the alternative basic education program (1000/SF-HO) and the national education reform program for third-level basic education (1069/SF-HO) will be used, which has experience and is familiar with all Bank requirements and procedures. To this end, Education Ministry technical staff will be seconded to the executing unit and head up each envisaged activity under this subprogram, according to the organization chart presented in Figure III-1 below.

Figure III-1
Organization chart for subprogram 1



- 3.3 The STSS will be in charge of executing subprogram 2 (Employment promotion). In view of its limited experience in conducting programs funded by international organizations, the Honduran government and the Bank have agreed that SEFIN would give the STSS the benefit of its own extensive experience, via its program coordination unit (PCU), to ensure that the subprogram is optimally executed. To this end, SEFIN and the STSS will enter into a coordination agreement under which both parties will agree SEFIN will be in charge of the subprogram's financial management and spell out the obligations of each party. The cost of the PCU will be jointly funded by SEFIN, the STSS and the Bank loan (which allocates approximately US\$40,000 to the PCU for the four-year execution period). **The first disbursement of resources for this subprogram is subject to submission of the coordination agreement between SEFIN and the STSS to the Bank.** The STSS experts involved in executing this subprogram will implement all agreed activities and keep the Bank informed of their progress. Figure III-2 is an organization chart outlining the overall implementation mechanism for this subprogram, which is described in greater detail in the following paragraphs on each specific component.

Figure III-2
Organization chart for subprogram 2



- 3.4 The executing unit attached to the Education Ministry and the SEFIN/STSS PCU will be accountable to the Bank for their respective subprograms and, more specifically, for: (i) monitoring progress toward the attainment of agreed objectives; (ii) conducting the activities specified in the operating manuals; (iii) efficiently managing resources; (iv) drawing up and presenting the Bank with regular progress reports on schedule, including financial reports; (v) maintaining specific, separate bank accounts to identify the sources and uses of local counterpart funds and funding from other financial backers; (vi) publicizing envisaged activities; (vii) issuing calls for bids and procuring works, goods and related services and consulting services; (viii) implementing and maintaining appropriate information systems for program accounting and financial management purposes and internal control systems for the management of Bank funding, local counterpart funds and funding from other financial backers, in compliance with Bank requirements; (ix) submitting disbursement requests and supporting documentation for eligible expenses on schedule; (x) drawing up and presenting regular progress reports, semiannual reports on the revolving fund and any other financial reports required by the Bank in a timely fashion, including annual financial statements for each subprogram; and (xi) administering funding and payments to goods and services providers.
- 3.5 The program has two policy instruments, namely MOS1 and MOS2, developed by the Education Ministry and the STSS, respectively, with assistance from the Bank and outside consultants. The preliminary texts of both manuals have already been reviewed by the Bank, which found them acceptable for program execution purposes (see program files). Any changes in these instruments will require the Bank's nonobjection.

- 3.6 The manuals will help familiarize operators and users under each subprogram with eligibility criteria, requirements for access to program funding, rules for the granting of financial aid, requirements for participation in the program, the activities to be funded by each subprogram, etc. The execution mechanism for each subprogram is described in the following paragraphs.

1. Subprogram 1. Improved coverage and quality of the third and fourth cycles of education

a. Components 1 and 2. Improved coverage and quality of the third and fourth cycles

- 3.7 **Use of flexible modes of delivery for the third and fourth cycles.** The Education Ministry will utilize nonconventional education programs offered by itself and by third parties, such as EDUCATODOS, SAT, SEMED and Telebásica. In the case of the EDUCATODOS program, the Ministry will conduct a competitive bidding process to select an organization to run the program and administer program funding during the execution period. Selection of the EDUCATODOS program administrator will be a special condition precedent to the first disbursement of this component. As far as the SAT program is concerned, a service contract will be signed with the Fundación Bayán for the first year of execution of this subprogram for each student served. Beginning in year 2, this program may be expanded to other service providers to be selected through a competitive bidding process in order to reach new groups of students. The direct contracting of the Fundación Bayán is warranted by the fact that, so far, it is the only organization anywhere in the country working with the SAT program and has been conducting rural development projects throughout the country competently for the past 10 years. Moreover, it is recognized by the Honduran government and backed by international cooperation agencies. Signing of the contract with the Fundación Bayán will be a special condition precedent to the first disbursement of this component. The Education Ministry has undertaken to gradually shoulder an increasing share of the recurrent costs associated with this mode of delivery until it is funding 100% of such costs by the end of program execution. Funding for the SEMED and Telebásica programs will be administered by the Education Ministry through the executing unit and corresponding technical units.
- 3.8 **Upgrading and construction of school spaces to expand education coverage.** The FHIS will be in charge of the implementation of this subcomponent under an interagency agreement with the Ministry of Education. The MOS1 establishes technical criteria for the selection of target schools based on recommendations from the Master Education Infrastructure Plan and needs identified by departmental and district education offices. Signing of the agreement with the FHIS will be a special condition precedent to the first disbursement of this component

- 3.9 **Improving the quality of the third and fourth cycles.** Activities targeted at the third cycle will be conducted by the Education Ministry via the executing unit and departmental and district education offices. Coordination and educational guidance services will be furnished by an outside organization selected through a competitive bidding process based on criteria established in the MOS1. Programs for the fourth cycle will be managed and operated by one or more organizations with a good track record in the field of education, to be selected by the Education Ministry through a competitive bidding process. The Education Ministry will enter into a service contract with the selected organization or organizations establishing a lump-sum price for each school served based on the technical proposal submitted by the organization approved by the Ministry. The signing of an interagency agreement with the Educational Quality Measurement Unit of the Francisco Morazán National Education University (UPNFM) will be a special condition precedent to the first disbursement of loan proceeds for this activity. The MOS1 establishes eligibility criteria for prospective service providers and target schools.
- 3.10 **Student grants.** This subcomponent will be executed by the Education Ministry via the executing unit. Recipients will be selected by departmental and district education offices based on the following criteria: (i) they must come from low-income households; (ii) they must present a certificate of good behavior; (iii) they must have a good academic record; and (iv) there must be no available slot in the public school system in their district. The grant, the yearly value of which may not exceed the annual per student cost in the public school system, is for three school years, renewable on a yearly basis subject to regular confirmation of the recipient's maintaining an academic grade of 60% or higher. In the event the number of applicants exceeds the available number of student grants, such grants are to be awarded through a lottery system. Any unclaimed grants will be reassigned by the Education Ministry based on demand. The MOS1 establishes procedures to be followed by education centers interested in accommodating such students in unused or surplus slots.

b. Component 3. Strengthening enrollment management

- 3.11 **Establishment of an enrollment management system at departmental and district education offices.** An enrollment committee consisting of the departmental superintendent of education, the heads of departmental and district human resources and information offices, and an enrollments coordinator appointed specifically for such purpose will be set up at each departmental education office. This committee would be funded by the program and would be in charge of education projects. It will be responsible for making decisions on the opening of new school slots for the following year based on data on actual demand obtained through a student registration process and on the system's expansion capacity based on teacher assignments, the size and condition of physical facilities and the capacity of alternative education programs.

- 3.12 **Support in improving human resource allocation.** The Ministry of Education and departmental and district education offices will reassign teachers based on real student demand and according to current legislation governing teacher/school ratios. The Education Ministry will draw up a list of municipios and education centers in need of additional teachers to expand enrollment based on information supplied by departmental education offices and will circulate the list with a view to enlisting volunteers. The Ministry will be in charge of selecting the recipients of relocation bonuses. Formal agreements establishing new teaching assignments will need to be drawn up prior to transferring teachers. The bonus is payable at the end of their first year of work at their new location, subject to confirmation of their tenure. Teachers required to transfer for legal reasons (as the result of a job audit) are ineligible to receive this bonus.

c. Component 4. Awareness-raising

- 3.13 The program includes financing for a national management team to coordinate and monitor envisaged activities under this component. The team will consist of a maximum of three professionals with political and administrative experience, who will head up efforts to implement the strategy. The team itself will be headed by an executive coordinator in charge of networking, alliance building, enlisting institutional support for its public awareness-building efforts and making all necessary decisions for the fulfillment of its duties. The executive coordinator will be assisted by a communications specialist whose main duty will be to work with the media in promoting awareness-raising activities such as national and local meetings, media campaigns and the production of resource materials designed to enlist public support.
- 3.14 The Education Ministry may ask civil society organizations to volunteer their services as part of an advisory group working with the management team. Such organizations will need to represent a broad spectrum of society, including the business community, labor, NGOs with practical experience in the area of education and parents' associations.

d. Monitoring and evaluation

- 3.15 An outside organization to be selected through a competitive bidding process will keep track of enrollments and monitor the enrollment management system beginning in the first year of subprogram execution. This same system will be used to monitor awareness-raising component outcomes. The evaluation of academic success rates will be conducted by the UMCE attached to the Teachers College, which is the official body in charge of evaluating Honduran education system achievement. Transfers of funding for this activity will be made under an administrative arrangement between the UMCE and the Education Ministry.

2. Subprogram 2. Employment promotion

- 3.16 The STSS will implement this subprogram with the assistance of CADERH (component 1) and COHEP (component 2).

a. Component 1. Job training

- 3.17 The STSS will conduct job training activities designed to provide unemployed youths and adults with skills needed to qualify for job openings in enterprises, with the assistance of CADERH. The program is not designed to bypass INFOP but, as explained earlier, its bias towards a supply-side approach has prompted business owners to look for other alternatives to meet their needs for “made-to-order” training. As in the case of other countries such as Panama, for example, such initiatives have prompted public vocational training institutions to change course and focus on meeting client training needs. Ideally, in the future, INFOP will work with other institutions on an equal footing to make more cost-effective use of available resources for all training institutions. CADERH has the necessary infrastructure for setting up training management units at its facilities for the implementation of this component. CADERH will not make any profit from the administration of this program component. It will merely be reimbursed for its administrative expenses. Transfers of funding to CADERH for execution of this component will be made under an operational and technical assistance agreement. **One of the conditions precedent to the first disbursement of program funding is the signature of the agreement with CADERH for execution of this component.**

- 3.18 CADERH will be in charge of seeking out and accepting applications from companies in need of workers with the proper basic job training to fill available job openings. Accordingly, it will need to demonstrate that it not only has a pool of applicants, but a commitment from companies to accept interns. The target population consists of unemployed youths and adults between 17 and 29 years of age with at least three years of schooling, matching the profiles provided by participating companies. Obviously, the fact that the pool of applicants will be better prepared and educated as a result of the activities under subprogram 1 will have a direct impact on the interest of enterprises in taking on these youths and providing them with in-service training. CADERH will use a variety of resources in selecting job seekers as candidates for training, including the existing online job exchange system. Companies interested in taking on trainees to fill available job

Table III-3
Breakdown of trainees

Number of trainees per firm	Training period (months)	Instructor fees for 3 months of training (US\$)
1 to 4	3	360
5 to 9	3	540
10 to 14	3	720
15 and over	3	900

openings will receive free assistance from CADERH outreach workers for the development of a training plan of up to 3 months for the candidates. In addition, an instructor will be hired through CADERH to train and monitor training activities for jobless youths and adults, which are to be conducted based on the training plan jointly established by CADERH and the company in question, according to the breakdown presented in Table III-3. Participating firms will select a monitor-trainer from the register of training service providers.

- 3.19 To keep the dropout rate to a minimum and boost the job placement rate, trainees will be paid a US\$102 monthly stipend for a period of up to three months and will have insurance in the event of an accident during the training period. To highlight the training aspect, CADERH will enter into an agreement with each participating firm spelling out the training plan and specifying the training resources to be furnished by the firm in question (machinery, equipment and inputs) and the names of corresponding trainees. The trainee, in turn, will sign a letter of interest in receiving training, explicitly indicating that he (or she) is undergoing training and has no labor relationship with the company in question. CADERH will execute this component based on the MOS2.
- 3.20 The use of a register of training service providers will ensure maximum transparency with respect to requirements for program participation and facilitate access for prospective service providers, with a view to making the selection of institutions or individual instructors to conduct the in-service training activities more transparent and competitive. Service providers will be registered through a competitive bidding process setting specific acceptance criteria. The register will be made available to companies agreeing to accept unemployed youths and adults for training, since the business owners will be soliciting proposals from a minimum of three instructors for implementation of their training plan. The register will be available for consultation at STSS and CADERH offices and on their web sites. All corresponding procedures are spelled out in the MOS2.
- 3.21 CADERH will establish an information system for the logging and monitoring of activities conducted under this component based on the MOS2. This system will allow CADERH to maintain up-to-date files on participating companies and trainees, keep accounting records on program funding and monitor key indicators of progress towards physical and financial targets under this component. This system will be tied in with the main information system for subprogram 2.

b. Component 2. Establishment of a public-private employment brokerage service (SPPIL)

- 3.22 This component will be implemented by the STSS in conjunction with COHEP, both of which will be responsible for setting up and operating the SPPIL linked to the web-based job exchange system. The online job exchange system will be one of the main tools used in matching job seekers with prospective employers. It will be

complemented by telephone-based services, published vacancy notices, face-to-face services for employers and job seekers and the organization of job fairs.

- 3.23 The STSS will transfer funds to COHEP in the form of a subsidy to be used in setting up a joint government-private sector services network meeting the standards of the private sector. COHEP has been funding efforts to adapt the job exchange system to an Internet environment for over a year, which financial and institutional constraints have prevented the government from doing. COHEP already has the job exchange system set up. Thus, the goal is to establish an SPPIL tied into the online job exchange system with minor investments in hardware, and to get the STSS involved. COHEP will continue to cover its recurrent expenses along with the three future private employment offices, but as an integral part of the SPPIL which, in the long run, should reduce service delivery costs for the government.
- 3.24 The STSS and COHEP will enter into a cooperation agreement for the establishment of the SPPIL, spelling out the terms and conditions for its operation and the contributions of both parties and establishing comprehensive service operating guidelines based on the MOS2. As indicated in chapter I, COHEP is the country's most representative business association and, as such, its involvement is viewed as support for and an endorsement of the work of the STSS. Though the STSS and COHEP will be working closely, all systems and equipment and all ensuing profits will be the property of the STSS which, in turn, will publicize and share its experiences with other organizations.

c. Component 3. Modernization of labor administration

- 3.25 Activities with respect to internal occupational safety and health management systems under this component will be implemented by the STSS and productive sector representatives. The STSS will conduct a study of its new staff organization structure in line with its new functions, with the help of specialized consultants. It will also retain the services of a specialized firm to design a social marketing strategy and publicity campaign for activities under each of the three components of subprogram 2. It will hire a consulting firm or individual consultants to design and implement an information system for recording, monitoring and generating reports on progress towards physical and financial targets under this subprogram. Terms of reference for these services have been accepted by the Bank (see program files). Lastly, it will earmark funding for a series of specific studies, including occupational safety and health related issues under the Central American Free Trade Agreement (CAFTA).

C. Implementation period

- 3.26 The Ministry of Education, the STSS and the Bank have agreed on a four-year implementation period for the proposed program.

D. Disbursements

- 3.27 **Revolving fund.** In keeping with current Bank policy, a revolving fund arrangement will be used, capped at 5% of the total loan amount for each subprogram.
- 3.28 Bank and local counterpart funding will be administered by the Education Ministry and the STSS for implementation of their respective subprograms. The executing unit at the Education Ministry and the PCU attached to the SEFIN, acting on behalf of the STSS, will keep originals and/or file copies of all orders, contracts, invoices, receipts, payment vouchers and any other necessary documentation to substantiate the information presented in reports submitted to the Bank. All such documentation must be properly identified and filed and made available for examination by authorized Bank officials and outside auditors.
- 3.29 The tentative disbursement schedule (Table III-4) is in line with program execution capacity and the availability of local counterpart funding.

Table III-4
Tentative disbursement schedule
(US\$000)

Source	Year 1	Year 2	Year 3	Year 4	Total
IDB/FSO	2,600	7,000	7,700	13,300	30,600
Local	980	880	840	700	3,400
Total	3,580	7,880	8,540	14,000	34,000
	10.5%	23.2%	25.1%	41.2%	100.0%

E. Procurement of goods and services

- 3.30 Bank policies and procedures will apply to the procurement of goods, services and works, all of which will be farmed out to contractors. International competitive bidding (ICB) will be used when the estimated value of goods and related services is equal to US\$350,000 or more, and that of works is equal to US\$1 million or more. Bidding procedures for items valued below said amounts will be conducted in accordance with domestic legislation, so long as they do not violate applicable Bank rules and regulations.
- 3.31 The tentative procurement schedule for goods and works for the first year of the program has already been approved (see program files). The procurement schedule for subsequent years will be decided on at annual monitoring and supervision sessions.
- 3.32 ICB or an international open call for proposals will be required for consulting services costing an estimated US\$200,000 or more. Bidding procedures for consulting services below those amounts will be conducted in accordance with Bank policies and procedures.

- 3.33 The Bank reserves the right to review and approve the names and background of selected consulting firms or individual consultants, the terms of reference and agreed fees for consulting services financed with local counterpart funding prior to the award of the corresponding contract by the executing agency.
- 3.34 As an exception to the competitive bidding requirement for the selection of consultants, as stated earlier, it is recommended that the Fundación Bayán be hired directly to coordinate components 1 and 2 of subprogram 1 (Improved coverage and quality of the third and fourth cycles of education). The direct hiring of this foundation is warranted by the fact that, so far, it is the only organization anywhere in the country working with SAT programs and has been conducting rural development projects competently around the country for the past 10 years. Furthermore, it is recognized by the Honduran government and backed by international cooperation agencies.
- 3.35 Likewise, as stated earlier, it is recommended that CADERH also be hired directly for the coordination and implementation of activities under component 1 (Job training) of subprogram 2 (Employment promotion). While it is true that CADERH will be hired directly, without competition, it will receive no fees whatsoever for its services. Such an arrangement is warranted by the comparative, institutional and technical advantages offered by CADERH.
- 3.36 From an institutional standpoint, CADERH: (i) is a business engaged in providing business training services recognized by business associations around the country, ensuring nationwide coverage for this component; (ii) has the operating capacity to furnish the services agreed with the STSS; (iii) has experience managing government and international funding; and (iv) has the capacity to coordinate the identification, preparation and supervision of business training programs and the administrative staff necessary to ensure the quality of such activities.
- 3.37 From a technical standpoint, CADERH is the only business institution with the technical capacity to oversee in-service training activities based on the demand-driven model envisaged for component 1. Very few other firms or agencies have this type of experience, since they are accustomed to dealing with supply-side models.
- 3.38 Such an arrangement is in keeping with the provisions of section GS-403 of the Bank's procurement manual, owing to the comparative advantages outlined above. All other purchases and service contracts will be made according to Bank procedures.
- 3.39 As agreed with the Bank's Country Office in Honduras, the Bank will control and verify procurement ex ante during the first year of the program. Thereafter, procurement under the threshold for international competitive bidding will be subject to ex post monitoring by sampling .

F. Program oversight, supervision and monitoring

- 3.40 Monitoring and evaluation activities will be conducted on an ongoing basis to check the soundness and effectiveness of the proposed implementation mechanisms for both subprograms.
- 3.41 Beginning in the second year of the program, the Bank's Country Office in Honduras will review disbursements of program funding on an ex post basis and by sampling during technical and/or financial field inspections to ensure the existence of files of supporting documentation for all disbursement requests and the use of program funding in accordance with the provisions of the loan contract.
- 3.42 The Ministry of Education, the STSS and the Bank will hold supervision and evaluation sessions at least once a year to assess program progress, preferably in the first quarter of each year. The annual work plan to be presented at such meetings is to include all information agreed on with the Bank, such as: (i) the status of each subprogram; (ii) the attainment of program goals and objectives; (iii) any problems encountered; and (iv) solutions adopted.
- 3.43 To this end, the annual meetings will examine: (i) progress in program implementation; (ii) the efficiency and effectiveness of each activity conducted under both subprograms; (iii) the experience gained and problems encountered in the implementation of envisaged program activities; (iv) the procurement schedule for goods and services; (v) established targets for each subprogram and performance indicators for specific program activities; and (vi) any and all other issues relevant to program implementation, to ascertain the extent to which the program objective is being achieved.

G. Evaluations

- 3.44 The program will not only affect coverage, but will also have a bearing on the quality of proposed interventions. Accordingly, it includes provisions for independent evaluations designed to measure short-term or intermediate effects and/or impacts. A midterm evaluation will be conducted approximately 24 months from the date of the first disbursement based on monitoring and performance benchmarks and indicators established in conjunction with the Bank, as outlined in the logical framework presented in Annex 1. A final evaluation will be conducted at the end of the program implementation period, with program funding.
- 3.45 Evaluations of subprogram 1 will include: (i) regular reviews of indicators of the expansion in student slots, both in the conventional education system and under alternative education programs; (ii) the monitoring of enrollment committees to establish their impact on the efficiency and timeliness in the allocation of slots and measures designed to expand education coverage and the transparency of corresponding procedures; (iii) an evaluation of the school achievement of selected

samples of students in alternative education programs and education centers benefiting from school improvement programs; and (iv) an opinion poll designed to detect changes in perceptions as a result of awareness-raising activities conducted under this subprogram.

3.46 Evaluations of subprogram 2 will focus on the following elements:

- a. The logging and monitoring of each stage of this subprogram, including agreements with participating firms, posted job openings, training plans, selected youths, the number of youths completing the training programs, the number of youths hired by participating companies and their conditions of employment.
- b. The attainment of scheduled targets and the impact of training activities on the hiring of youths and the filling of job openings in companies served by the program. Indicators for this subprogram include: (i) the number and characteristics of companies served by the program; (ii) the number and characteristics of youths trained under the program; (iii) the terminal efficiency of training activities; (iv) the job placement rate for trained youths three months after the conclusion of the training period; (v) the types of jobs obtained by the trained youths and the types of firms hiring them; (vi) the effect of training activities on company performance; and (vii) the features of institutions, firms and instructors included on the register of service providers and of selected service providers.
- c. Monitoring activities based on quantitative indicators will be rounded out by spot checks of in-service training activities and interviews with youths by STSS staff members to confirm the implementation and quality of training plans and compliance with program regulations. Training activities will also be subject to a cost-benefit analysis.

3.47 The proposed program will draw on data produced by annual evaluations of the progress related to the PRS, which will be used as input and benchmark data for the proposed evaluations.

H. Auditing

3.48 The executing agencies are to hire an independent auditing firm acceptable to the Bank, based on terms of reference and selection procedures previously approved by the Bank, to conduct financial audits of program operations throughout the program implementation period. The hiring of outside auditing services for each subprogram is to be done separately, based on limited bidding procedures meeting Bank requirements (AF-200). Thus, the two subprograms may be audited by the same or different outside auditors.

3.49 Each subprogram will be audited by an outside, independent auditing firm acceptable to the Bank in keeping with Bank policies and procedures (AF-100 and

AF-300), to be retained according to established procedures (AF-200) and based on terms of reference for the external auditing of Bank-financed projects (AF-400) approved by the Bank in advance.

- 3.50 Annual reports on the financial statements for each subprogram are due within 120 days from the end of the fiscal year, with the final report on the closing financial statements for each subprogram due 120 days from the date of the last disbursement.
- 3.51 Auditing expenses are included in the program cost and will be financed using the proceeds of the loan from the Bank.

IV. VIABILITY AND RISKS

A. Technical viability

- 4.1 **Subprogram 1. Improved coverage and quality of the third and fourth cycles of education.** Envisaged activities and operations under each proposed component of this subprogram are the product of the Education Ministry's many years of experience in the education sector inspiring a commitment to addressing these two important stages of the education and training of Honduran youths. This experience is reflected in the subprogram design and, together with the commitment and capability of the Ministry's technical staff, should strengthen the overall technical feasibility of future interventions.
- 4.2 **Subprogram 2. Employment promotion.** Envisaged activities under this subprogram have already proven effective in other countries and, as designed in this case, reflect a technical level suitable for establishing a training and employment system geared to the nation's development needs.

B. Socioeconomic viability

- 4.3 **Subprogram 1. Improved coverage and quality of the third and fourth cycles of education.** According to information collected during the program preparation phase, the increase in the number of students successfully completing the fourth cycle of education as a result of activities under subprogram 1 suggests that, under prevailing labor market conditions with respect to labor force participation and average wages, within five years time, the present value of future income streams for the beneficiaries would offset corresponding expenditures. Thus, implementation of this subprogram is fully justified from an economic standpoint. Furthermore, this positive impact is expected to extend beyond the five-year horizon and to show up in other types of intergenerational social benefits. Envisaged activities under each component are specifically designed to expand enrollment in the third and fourth cycles by reaching youths through high-quality, flexible education programs and maximizing the installed capacity of the conventional system. Improvements in the flow of students through the secondary education level and in the quality of education imparted and a more efficient use of available resources should not only help achieve established goals under the PRS but, more importantly, should help meet the needs and demands of a large segment of the Honduran population by offering more opportunities to prepare for a better future through access to higher levels of education or to further opportunities for enhancing their employability on the domestic labor market.
- 4.4 **Subprogram 2. Employment promotion.** Envisaged job training activities under this subprogram should help: (i) boost the job placement rate for unemployed youths and adults; (ii) improve the skills of job seekers to qualify them for job

openings; and (iii) shorten the job hunting period. The funding of training programs for the unemployed and underemployed has an overall positive impact on society by improving their job placement in productive activities. Likewise, in-service training activities have proven effective in strengthening the competitiveness of participating companies and improving the performance of their work force. Similarly, opening up such activities to female heads of household, indigenous groups and other high-risk groups fosters the development of more effective interventions designed to overcome the barriers faced by these population groups.

C. Institutional viability

- 4.5 **Subprogram 1. Improved coverage and quality of the third and fourth cycles of education.** Execution of envisaged activities under this subprogram is realistically geared to the strengths developed by the Education Ministry over the years. Moreover, the subprogram includes activities designed to promote systematic spending on institutional strengthening efforts to improve the institutional management of the Education Ministry and departmental and district education offices.
- 4.6 **Subprogram 2. Employment promotion.** The STSS is aware of its institutional weaknesses, which is why it will use the services of CADERH, an organization with a good nationwide reputation in both the public and private sectors, and COHEP, which represents most of the country's businesses, for the implementation of specific activities. More importantly, envisaged activities under this subprogram will help modernize and restructure the STSS to enable it to solidify its leadership role in the regulation of training activities and in the study, design and implementation of labor policy.

D. Financial feasibility

- 4.7 **Subprogram 1. Improved coverage and quality of the third and fourth cycles of education.** In light of endemic institutional weaknesses in the education sector, this subprogram will fund institutional strengthening activities for the technical units in charge of each subcomponent at both the central and deconcentrated levels. At the same time, it will rely on the services of nongovernmental organizations with a proven track record for the implementation of certain activities aimed at improving education coverage. The Fundación Bayán, for example, has nearly 10 years' experience working with SAT programs, as well as the organizational skills to ensure the gradual expansion of such programs. The EDUCATODOS program, which has been operating in Honduras for the past 10 years, with over 100,000 current beneficiaries, has proven highly effective and capable of reaching poor, disadvantaged population groups with its education model. Proposed mechanisms for coordinating these organizations under this subprogram are in keeping with the current capabilities of the Education Ministry and its departmental and municipal education offices.

- 4.8 **Subprogram 2. Employment promotion.** The government considers this initiative pivotal to the growth of the nation's productive sectors. The involvement of private enterprises and organizations in the implementation of this subprogram helps improve the targeting of assistance while, at the same time, reducing direct costs by utilizing existing capacity and having participating companies contribute their own human resources, materials and equipment to the training process. The commitment from participating firms to take on and train youths in their specific line of business makes job training activities that much more relevant and considerably improves job prospects, through the best possible and most effective type of public-private partnership.

E. Program impact on women and vulnerable groups

- 4.9 In general, the program will be open to female students as well as gainfully employed and unemployed women, whose participation will be encouraged primarily through the planned publicity and public awareness-raising campaigns for both subprograms. In addition to women, a special effort will be made to reach people with disabilities, victims of abuse, indigenous groups, the illiterate, at-risk youths and the Afro-Honduran population in marginalized areas. Both the Education Ministry and the STSS have indicated that they are looking to build partnerships with civil society organizations to promote and assist these vulnerable groups.

F. Risks

- 4.10 **Subprogram 1. Improved coverage and quality of the third and fourth cycles of education.** There is a risk that political problems with respect to the teaching profession may postpone crucial decisions for improving education coverage without increasing the teacher wage bill. This risk will be mitigated by providing funding for teacher relocation incentives, furnishing legal services to the Education Ministry and building public support by conveying messages on the importance of ensuring that educational resources are allocated based on education needs.
- 4.11 Another risk is that there will be little demand on the part of youths for a secondary education, which will be addressed by expanding education supply through flexible education programs that lower the opportunity cost of attending school and offer more relevant programs of study geared to the local environment. There are also provisions for awarding grants to low-income students to enable them to complete their upper secondary education. The public awareness-raising strategy provides for activities to promote an appreciation for education on the part of the general public.
- 4.12 Lastly, the successful attainment of the objectives of this subprogram is directly dependent on the executing capacity of the unit in charge of its execution and management. Accordingly, the selected executing unit has extensive experience conducting Bank projects and there are provisions for shoring up the teams of

technical and administrative personnel from the Education Ministry to meet the subprogram's operational needs.

- 4.13 **Subprogram 2. Employment promotion.** Shortages of funding have prompted government labor market institutions to focus on supply-side approaches to expanding employment and training opportunities for the poor, generally through vocational training institutions supported by budget funds, with very little interaction with productive sectors seeking personnel and training more in line with their specific needs, which has put them out of touch with productive sectors and their needs for trained personnel. Proposed activities under this subprogram transcend the sphere of action of these official institutions, which may put up resistance. The involvement of CADERH and COHEP ensures a permanent private sector presence proposing and offering relevant, practical alternatives geared to actual demand in the productive sector.

G. Environmental impacts

- 4.14 The proposed program is considered environmentally feasible in that: (i) it is not expected to engender any adverse environmental impacts, since most envisaged activities are focused on education, youth training, institutional strengthening and studies; and (ii) it includes measures and activities specifically designed to engender positive environmental impacts. Training in production processes in the fields of tourism, forestry, agroindustry and the in-bond assembly industry will give special consideration to the environmental dimensions of specific technologies to mitigate any negative environmental impacts and nurture potential positive impacts associated with the use of such technologies.
- 4.15 Education activities will bear in mind the guidelines established under Title V, Chapter III (Environmental Education), of the Environment Act, which calls for environmental education to be made an integral part of the national education system, to which end current academic structures will be redesigned and introduced for the conduct of extension programs, research and studies offering recommendations for solving the nation's most serious environmental problems.
- 4.16 Most envisaged activities incorporate the gender perspective. Accordingly, the Education Ministry and the STSS will take necessary measures to promote participation by both genders in program activities. The gender perspective will be taken into consideration in curriculum development efforts for the new vocational secondary education and adult education model, as well as in selection processes for demand-driven human resource training activities. The Education Ministry and the STSS will break down all data on program activities by gender for monitoring and evaluation purposes and to make any necessary adjustments in such activities. Indicators identified in the program's logical framework will also be broken down by gender.

H. Sustainability

- 4.17 **Subprogram 1. Improved coverage and quality of the third and fourth cycles of education.** The sustainability of this subprogram is ensured by ancillary activities. The main goal is to do more with existing resources. Component 3 of this subprogram is designed to help the Education Ministry allocate its resources more efficiently, particularly its teaching resources. The assumption is that a better allocation of available teachers will enable it to cover staffing needs engendered by the creation of new student slots under alternative education programs without increasing spending. The government has agreed to give priority to and protect social spending to sustain the growth in enrollments in the conventional school system under agreements with cooperating agencies. The conditionality established by the Bank for disbursements of sector loan HO-0212 requires protection of spending on education and a more efficient allocation of education resources. From a longer term perspective, the soundness of the Honduran economy is largely dependent on the development of its human resources. Nationwide gains in productivity and competitiveness will more than make up for any additional spending on education.

I. Social equity and poverty-targeting classification

- 4.18 This operation qualifies as a social equity enhancing project as described in the indicative targets mandated by the Bank's Eighth Replenishment (document AB-1704). Furthermore, the operation qualifies as a poverty-targeted investment (PTI) based on calculations of the share of poor beneficiaries expected to gain from envisaged activities under subprograms 1 and 2. The resulting data is broken down in Table IV-1 below.

Table IV-1
Program beneficiaries by poverty level

NUMBER			TOTAL	
Status	Subprogram 1	Subprogram 2	Number	%
Poor	82,346	2,800	85,146	54.45
Total	148,372	8,000	156,372	100.00

SECONDARY EDUCATION AND JOB TRAINING PROGRAM (HO-0202)
LOGICAL FRAMEWORK

Program	Subprogram 1 Improved coverage and quality of the third and fourth cycles of education	Subprogram 2 Employment promotion
Program goal Help reduce poverty in Honduras and improve the quality of life of the population in the context of the poverty reduction strategy (PRS).	Goal of subprogram 1 Contribute to human capital development by boosting the level of enrollment and better preparing youths and adults for the job market.	Goal of subprogram 2 Contribute to human capital development by boosting the level of enrollment and better preparing youths and adults for the job market.
Program purpose Promote human capital development by boosting enrollment and better preparing youths and adults for the job market.	Purpose of subprogram 1 Boost net enrollment and improve quality in the third and fourth cycles of education.	Purpose of subprogram 2 Improve the qualifications and employability of youths and adults served by the program and help them find better jobs through the establishment of relevant, effective employment brokerage services.
	Components 1. Activities to improve coverage and quality of the third cycle (education supply). 2. Implementation of the plan for improving coverage and quality of the fourth cycle. 3. Enrollment management system in operation at departmental and district education offices. 4. Public awareness-raising plan in place.	Components 1. Job training activities carried out. 2. Modernization of labor administration executed.

Narrative Summary	Performance Indicators	Means of Verification	Major Assumptions
Subprogram 1. Improved coverage and quality of the third and fourth cycles of education			
GOAL			
Contribute to human capital development by boosting enrollment and better preparing youths and adults for the job market.	<ol style="list-style-type: none"> 1. The number of years of schooling for youths between 15 and 18 years of age increases. 2. The percentage of youths entering the work force having completed their secondary education increases 		
PURPOSE—SUBPROGRAM 1			
Net enrollment increased and quality improved in the third and fourth cycles.	<ol style="list-style-type: none"> 1. The percentage of youths between 12 and 14 years of age enrolled in the third cycle increases from 32% in 2003 to 38% by the conclusion of the subprogram. 2. The number of youths between 15 and 16 years of age completing the third cycle of education increases 6.5-fold—from 2,402 in 2003 to 15,602 by the conclusion of the subprogram. 3. The number of youths between 15 and 18 years of age enrolled in the fourth cycle increases from 112,620 in 2003 to 132,770 (from 17% to 20%) by the conclusion of the subprogram. 4. The terminal efficiency rate for the third and fourth cycles in education centers benefiting from school strengthening programs increases by at least 25 percentage points by the conclusion of the subprogram. 5. The student-teacher ratio in the third and fourth cycles increases from 21.85 in 2003 to 24.10, creating 28,000 new slots by the conclusion of the subprogram. 6. At least half the Honduran population supports the measures taken by the government to expand education coverage. 	<p>Data furnished by the EPHPM and the Education Ministry's education statistics system.</p> <p>Data furnished by the EPHPM and the Education Ministry's education statistics system.</p> <p>Data furnished by the EPHPM and the Education Ministry's education statistics system.</p> <p>Data furnished by the Education Ministry's education statistics system.</p> <p>Data furnished by the Education Ministry's education statistics system.</p> <p>Data furnished by opinion polls.</p>	<p>Macroeconomic conditions remain stable or improve.</p> <p>There is a continued commitment to align education policy with PRS goals.</p> <p>Political and trade union conditions allow for the implementation of these components.</p>

Narrative Summary		Performance Indicators		Means of Verification		Major Assumptions	
Components							
1. Activities to improve coverage and quality (education supply) of the third cycle of education							
1.1	Use of flexible modes of delivery for the third cycle of education.	1.1	By the conclusion of the subprogram, of 37,850 new slots created in alternative programs for the third cycle in accordance with established standards of quality.	1.1	Enrollment management system report on slots in alternative education programs.	There is an unmet demand for the third and fourth cycles of education becomes effective.	
1.2	Improving school performance.	1.2	By the conclusion of the subprogram, methods and resource materials for six alternative education models for third cycle strengthened and meeting standards of quality established by the Education Ministry.	1.2	Education Ministry-approved curricula for alternative education models for third cycle.		
1.3	Upgrading of existing schools.	1.3	By the conclusion of the subprogram, education monitoring and assistance services provided to 225 third-cycle schools for a two-year period.	1.3	Annual report to the program coordination unit (PCU) by the monitoring institution on each education center covered.		
		1.4	By the conclusion of the subprogram, 900 teachers and 225 school principals in educational institutions benefiting from school strengthening programs trained.	1.4	Acceptance certificate signed by the school principal in the presence of a PCU representative.		
		1.5	A minimum of 200 classrooms for the third cycle upgraded and 4,000 new slots created by the conclusion of the subprogram.	1.5	Enrollment management system report on school slots.		

2. Implementation of the plan for improved coverage and quality (education supply) of the fourth cycle of education					
2.1	Fourth-cycle education services provided using flexible modes of delivery.	2.1.1	By the conclusion of the subprogram, 2,000 new slots created in alternative programs for the fourth cycle, meeting standards of quality established in the subprogram.	2.1.1	Enrollment management system report on slots in alternative education programs.
		2.1.2	By the conclusion of the subprogram, methods and resource materials for two alternative education models for the fourth cycle meeting established standards of quality.	2.1.2	Education Ministry-approved curricula for alternative education models for the fourth cycle.
2.2	New classroom construction for delivery of the fourth cycle in basic education centers.	2.2.1	By the conclusion of the subprogram, 272 new classrooms for the fourth cycle of education fully equipped and operational, creating 8,000 new slots in the conventional school system.	2.2.1	Acceptance certificate signed by the director of the center in the presence of a PCU representative.
		2.2.2	During execution of the subprogram, three years of education assistance services rendered to 68 schools offering fourth-cycle vocational education programs.	2.2.2	Annual report delivered to the PCU by the monitoring institution on each school served.
2.3	Improving the quality and relevance of vocational education programs offered in the fourth cycle.	2.3.1	By the conclusion of the subprogram, 200 teachers and 50 school principals trained.	2.3.1	Attendance records for training courses.
2.4	Grants for students in private schools.	2.4.1	In the first year of subprogram execution, 400 new fourth-cycle students attending private schools under grants or participating in alternative education programs.	2.4.1	Enrollment report from participating institutions.

3. Strengthening education management for increase in enrollment						
3.1	Enrollment management system in operation at departmental and district education offices.	3.1	Enrollment management system in place and running in three departments by the end of year 1, nine departments by the end of year 2 and 18 departments by the conclusion of the subprogram.	3.1	System auditing report by department and district.	
3.2	Support for more efficient allocation of human resources.	3.2	Reassignment of 800 teachers based on student demand by the conclusion of the subprogram.	3.2	Teacher human resource management system report.	
4. Implementation of the public awareness-raising plan						
4.1	Awareness-raising plan to promote public commitment implemented.	4.1	Public awareness-raising strategy developed and implemented by the end of year 1 of subprogram execution.	4.1	Descriptive report on the awareness-raising strategy.	
		4.2	Awareness-building symposiums and information activities on the strategy conducted around the country beginning in year 2.	4.2	Attendance and accreditation records for participants in these activities.	
Activities						
		1.1	See cost breakdown in program files.	1.1	Accounting records for the subprogram.	There are organizations and institutions (NGOs, universities, etc.) that meet the minimum selection criteria and are interested in assisting with school strengthening programs. There are private schools willing to accept students with tuition grants provided by the subprogram. The counterpart resources are disbursed in a timely manner. Bidding processes are conducted on schedule.

Narrative Summary	Performance Indicators	Means of Verification	Major Assumptions
Subprogram 2. Employment promotion			
GOAL			
Contribute to human capital development by boosting enrollment and better preparing youths and adults for the job market.	1. Increase in labor productivity. 2. Reduction in unemployment and underemployment rates nationwide.		
PURPOSE—SUBPROGRAM 2			
Improve the qualifications and employability of youths and adults served by the program and help them find better jobs through the establishment of relevant, effective employment brokerage services.	1. Jobs are found by 60% of the unemployed youths and adults receiving in-service training. 2. The number of identified job openings increases by 25% and the variety and quality of employment opportunities improve as a result of the establishment of the public-private employment brokerage service. 3. The number of companies using the employment brokerage services increases by 15%.	STSS statistics	
COMPONENTS			
1. Job training			
1.1 In-service training of unemployed and/or underemployed youths to fill available job openings.	1.1 Within six months, the register of providers and other operational tools established.	1.1 Evaluation studies 1.2 Register in place.	Macroeconomic conditions remain stable and there is evidence of growth in employment.

Narrative Summary	Performance Indicators	Means of Verification	Major Assumptions
2. Establishment of a public-private employment brokerage service			
<p>1.1 Public- private employment brokerage service network established by the STSS and COHEP.</p> <p>1.2 Web-based labor exchange system established and each office provided with an operating manual for the online employment exchange system.</p>	<p>2.1 Agreement for the establishment of the public-private employment brokerage service is signed.</p> <p>2.2 Five public-private employment brokerage offices equipped and strengthened with additional technical personnel by year 2 at the latest.</p> <p>2.3 COHEP and business associations have organized at least two job fairs per year.</p> <p>2.4 Online employment exchange system started up and system operating manual in use by the employment offices within twelve months.</p>	<p>2.1 Signed agreement between the STSS and COHEP.</p> <p>2.2 Evidence that offices have been equipped and strengthened with additional technical personnel.</p> <p>2.3 Administrative records management and information system for the public-private employment brokerage service.</p> <p>2.4 Internet access to the exchange system and evidence of the use of the new system operating manual by the employment offices.</p>	
3. Modernization of the labor system			
<p>3.1 The Economic and Social Council has the technical support necessary to fulfill its responsibilities.</p> <p>3.2 Based on the institutional assessment, the new organizational structure of the Ministry of Labor enters into force.</p> <p>3.3 Social marketing activities are initiated.</p>	<p>3.1 The new STSS Organizational and Operating Manual is approved and Ministry personnel trained in its use by year 2.</p> <p>3.2 Over 40% of the target population is familiar with the program and knows how to file requests through appropriate channels by the end of year 4.</p> <p>3.3 The STSS has the information it needs to strengthen its programs thanks to surveys and other social marketing instruments by year 2.</p> <p>3.4 Evidence that the pilot occupational safety and health program has been performed and completed.</p>	<p>3.1 STSS information system.</p> <p>3.2 Evidence that the STSS is operating under a new structure.</p> <p>3.3 Monitoring and evaluation reports on social marketing activities.</p>	

Narrative Summary	Performance Indicators	Means of Verification	Major Assumptions
ACTIVITIES			
	1.1 See cost breakdown in program files	1.1 Accounting records for the subprogram	<p>The public and private sectors are interested in working together to provide job training.</p> <p>The program is endorsed by the business community.</p> <p>There is a sustained and growing interest on the part of the public and private sectors in establishing a joint employment brokerage service.</p> <p>There is an unwavering political will on the part of senior government officials and STSS personnel to modernize the Labor Ministry.</p> <p>Program performance is satisfactory and it gradually gains the public trust and increasing stature.</p> <p>Counterpart resources are disbursed in a timely manner.</p> <p>Bidding processes are conducted on schedule.</p>